

JULY 1986

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Social Security?

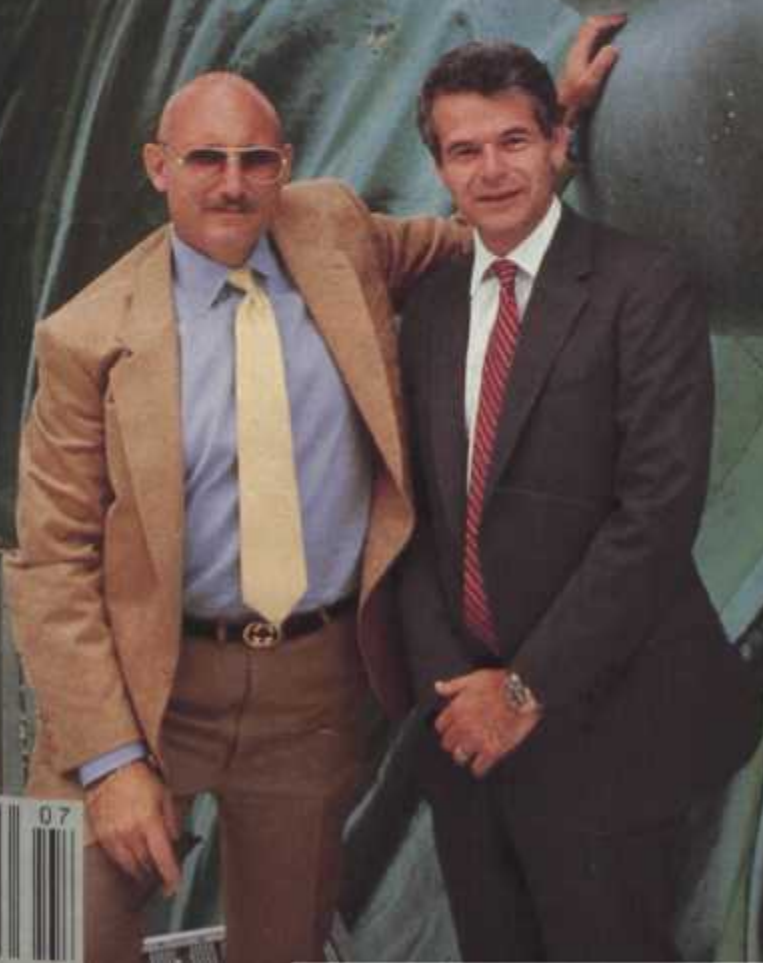
Making The Most  
Of Mailing Lists

Small Companies'  
Washington Wish List

# Nation's Business®

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*Eugene McGovern And  
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Cargo's here to make

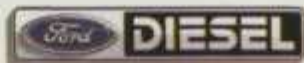
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Washington, D.C.

## THE NATION'S BUSINESS

*Marcia Bystrom, a delegate to the White House Small Business Conference, says reaching a consensus is the first order of business. (Page 54)*



PHOTO: STEVE WOIT—PICTURE GROUP

### 10 Business Outlook

Favorable conditions mean a rosy economic outlook; a hopeful wait-and-see attitude toward the Tokyo summit's plan to coordinate economic policy.

### 12 Washington Roundup

Why business likes the Senate tax reform bill; how labor is attacking "dual shops"; where the push is coming for liability law reform.

### 14 Small Business Report

Another recordkeeping hassle; venture capitalists do not like the Senate tax bill; start-ups do the most hiring.

### 54 Small Guys' Wish List

Delegates to the White House Small Business Conference have a wide variety of opinions, but one goal: a fair shake from government.

### 72 Where I Stand

What are your opinions on the tax reform bill, federally required unpaid leave for new parents, Davis-Bacon Act reform?

## COVER STORY

*The handiwork of some of the small businesses that helped restore the Statue of Liberty can be seen in her new torch and the lighting around it,*

*and in the world's largest freestanding scaffolding system, which surrounded the statue for the two years' duration of the project.*



PHOTO: (L) 1986, PETER B. KAPLAN

### 18 Lady Liberty's Small Business Army

*For her 100th birthday, the grand old lady in the harbor got a refurbishing that drew on the talents and skills of more than 50 contracting firms. The specialized skills were found in small companies, which took on such complex tasks as:*

#### The Scaffolding

During the restoration, the statue was surrounded by the largest freestanding scaffolding ever built.

#### The Torch

The flame had never looked as its creator intended, and replacing the torch required a year of painstaking research.

#### The Lighting

Lighting specialist Howard Brandston created an entirely new system that makes Liberty look as if she is bathed in morning light.

#### The Crown

Replacing the windows in the crown was a painstaking task; each had to be crafted individually.



## DEPARTMENTS

### 5 Guest Column

Joseph Mason offers reasons for entrepreneurs to consider starting out in a small town.

### 8 Letters

Liability, compact promise, unwanted solicitations, staff kudos, details on ergonomics.

### 65 Direct Line

Answers to questions about business problems including insurance coverage and getting an SBA loan.

### 74 Classified Ads

### 76 Congressional Alert

Tax reform; pensions; appropriations; product liability; parental and disability leave.

### 80 Editorials

## MANAGING YOUR BUSINESS

David Eisner's music store in Takoma Park, Md., uses a mailing list to send out announcements. Avid customers pay \$1 for a year's worth of the notices. (Page 35)



PHOTO: T. MICHAEL KEZA

### 30 Taking Social Security Private

Faster than a speeding inflation rate, more powerful than an IRA, able to leap over Social Security trust fund deficits at a single bound, it's SUPER-IRA!

### 35 Marketing With Lists

Businesses that buy the right to use mailing lists pay for the chance to choose their customers. But the trick is to come up with the right list.

### 51 Franchising

The trends toward fast food and health food have come together to create a strong opportunity for specialty outlets.

### 69 Innovators

Taking the next step in quality control; paying attention to family in a family business; when participation is not what it seems.

## PEOPLE/PERSONAL

Against all advice, Roger Howe took a struggling plastic lens manufacturer in Cincinnati and turned it into the phenomenally successful U.S. Precision Lens, Inc. (Page 77)

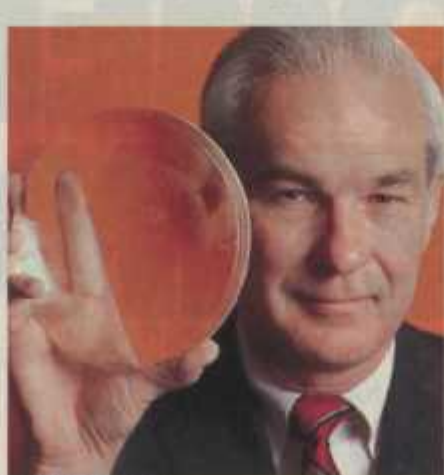


PHOTO: MARCY MUEHLBAUER

### 60 To Your Health

Do you think you are condemned to ever-poorer eyesight? Eye exercise may help, say experts.

### 61 Making It

An investments manager on the fast track; an easier way to harvest shrimp; success from efficient repairs.

### 64 For Your Tax File

A changed law on health plans need not harm employers; how to handle pension fund withdrawals.

### 68 It's Your Money

No one yet knows what the effects of tax reform will be—or even the bill's final form. Best advice for investors: Sit tight until the bill is passed.

### 77 The Right Buy, Precisely

Roger Howe bought a precision lens company against the advice of friends. But it turned out to be the best possible choice.

## TECHNOLOGY

Renee McDonald, a regional manager for Allegheny Beverage Corporation, says laptop computers' instant answers help a sales staff impress customers. (Page 66)



PHOTO: T. MICHAEL KEZA

### 66 Portable Power

A combination of sales breakthroughs and new product announcements is giving a lift to the overlooked laptop computer.

*Nation's Business* (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20002. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1986 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$35; three years, \$46; and in combination with the newspaper *The Business Advocate*, one year, \$50; two years, \$85; three years, \$99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. Postmaster: Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895.



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# Start-Up In A Small Town

By Joseph G. Mason

**T**he average would-be entrepreneur probably thinks of starting his own small firm in a big city or its environs. There is, however, more need for many types of service businesses in some smaller towns—especially those that are growing by persuading new companies to move in.

My wife and I experienced this in Cambridge, a town of 12,000 on Maryland's Eastern Shore. Both of us have extensive backgrounds as professionals in advertising and public relations—services that were not available in our new community. The existing base of retail, commercial and small industrial plants soon yielded clients for our two-person agency, which we operate out of our home.

However, we soon learned some of the limitations of small town operations. For one thing, the nearest TV station is 30 miles away—we are right on the fringe of its coverage pattern. Advertising in it is not particularly productive for local merchants, limiting the creative recommendations we can make.

As for print, our very first job, a simple black and white brochure for a real estate agent, introduced us to other problems.

Accustomed as we were to a big city's competition among graphics suppliers, we were really shocked to find that our new hometown lacked even one full-time commercial photographer. (Solution: Uncrate your darkroom equipment and go back to the photography you abandoned 15 years ago!)

The nearest place to get type set for ads, brochures, etc., is 14 miles up the highway. That is also the nearest place to get any printing larger than a letterhead.

For the nearest art supply store, drive 46 miles—one way.

There is no full-time computer store or anyone who can perform even minor computer repairs or servicing.

There is no commercial copying or duplicating service. Either (a) get your

own copying machine, (b) go to the library and pay 15 cents a page or (c) drive 16 miles to the nearest quick-copy shop.

Although these things have all been problems for us, they could be real opportunities for someone else.

A commercial photographer, for example, could probably be operating in the black within a few months. So could

*"Smaller towns need service businesses, and the competition is often nonexistent."*



a typesetting service, an offset printer, an art supply store, a computer service shop (businesses all over town are using computers that can't be repaired locally) or a "quick print" copy service. Further, any one of these would be operating without any local competition right now.

If you were to start such a venture, you would have to work at it, of course. To make your venture go, you would probably need the business of companies already in the area, as well as of companies that come in from outside or spring up as a result of internal growth. But the established business people think nothing of driving miles up the highway to find a printer, for instance. Old habits die hard, so successfully launching a printing shop could require a major selling effort.

There are thousands of communities like Cambridge, and they are bound to

offer opportunities for starting small businesses. And many of these small towns are desirable places to live. Our town has history, waterfront, charm, clean air, plenty of underground water and the nicest people you could want to live among. The cost of essentials such as food, housing and clothing is delightfully less than in almost any major metropolitan area. You can still find a livable single-family detached home for under \$45,000. Put another 20 percent into repairs and refurbishing, and you have the equivalent of at least an \$85,000 home in Washington, from which we moved to Cambridge.

At the same time, if your venture will require manpower other than your own, you may find a good news/bad news situation:

The good news is that prevailing wages in smaller communities tend to be less than in big cities.

The bad news is that the people you can hire probably won't know anything about your type of business, and you could have a heavy training period on your hands before you are really ready to go.

One of our local clients told us of his experience in training otherwise dexterous and intelligent new employees in the art of soldering precision electronic components: "You start by telling them to 'Hold the tool by this black wooden end. If you pick it up by the other end, you are going to get burned!'"

A new restaurant found there were plenty of people willing to be waiters and waitresses. But, having spent their lives in this somewhat isolated community, few had ever been to a fashionable restaurant and had an idea of the kind of service expected along with a pricey menu. In this case, the restaurant's grand opening was postponed almost a week while the manager conducted service school.

**S**uch drawbacks should not discourage you from investigating the opportunities. Smaller towns and cities do need service and support businesses, both for the companies they have and those they want to attract. And right now the competition is often weak to nonexistent.

What more do you want for an opportunity? **■**



## COMMENTARY

# Letters

## More On Liability

The major problem of the liability crisis ["Managing Your Risks," April] can be wrapped up in a nutshell: Attorneys are handling cases that have no legal standing to begin with, and plaintiffs are making victims out of the person or company they are suing.

When will the American people start taking responsibility for their own actions? When will they become accountable for what they choose to do and live with the results, instead of finding a scapegoat to sue so they can walk away wealthy?

Settling out of court, as the article stated, is not the solution.

Having attorneys who have ethics is a good start.

*Elizabeth J. Billups*  
Gardena, Calif.

## Future Knock

I have just finished reading Karen Berney's article, "Small Wonders" [May]. When CD ROM drives come down in price, call me, and I'll sell them door to door. Frank Farrell's picture reminded me of the Mona Lisa. No one knows what the lady was smiling at, but Farrell is surely grinning at the fact that he has a better mousetrap.

*M. Kelly Crawford*  
Glen White Associates  
Lynchburg, Va.

## Trash Mail

I noticed your readers' positive response to the question whether Congress should cut spending for members' bulk mailings ["Where I Stand," May]. I completely concur. It is infuriating to be solicited weekly, if not daily,



Moderator Meryl Comer

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## COMMENTARY

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**T.V. Hansen**  
Vice President, Administration  
Bonner Packing Company  
Fresno, Calif.

### Credit Where It's Due

As a longtime subscriber and reader of NATION'S BUSINESS, I was proud to see my business mentioned in the "Making It" section of the May issue ["Recycling Roller Coasters"]. Charlie Dinn is a longtime friend of mine, and we would never have tackled the Rocket moving project without knowing Char-

lie was available to us for the re-assembly.

Charlie was our chief man in the re-construction of the Rocket here in Elysburg, but the disassembly and moving was headed up by our own staff, consisting of Dan Patterson, John Moyer, John Fetterman and me.

Charlie did a great job, and it shows what a talented man he is. No bad words for Charlie, but our crew deserves some praise for their efforts, too.

**Dick Knoebel**

Co-Manager

Knoebels Amusement Resort  
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**Renee S. Ross**

Executive Director

Center for Office Technology  
Washington

### Fortune In The Cards

Your article on baseball cards ["It's Your Money," June] missed one point. Investment value aside, many of us still have our cards from our youthful nickel-a-pack days (thank God for mothers who never throw anything away) and cherish them as a fond remembrance of days when things seemed simpler. Oh, but if I could only reclaim the dozens of Hank Aaron rookie cards that ended up clothespinned into bicycle spokes in 1954 to make that motorcycle sound!

**John Canfield**

Director of Public Relations  
Ingersoll-Rand Mining Machinery  
Bristol, Va.

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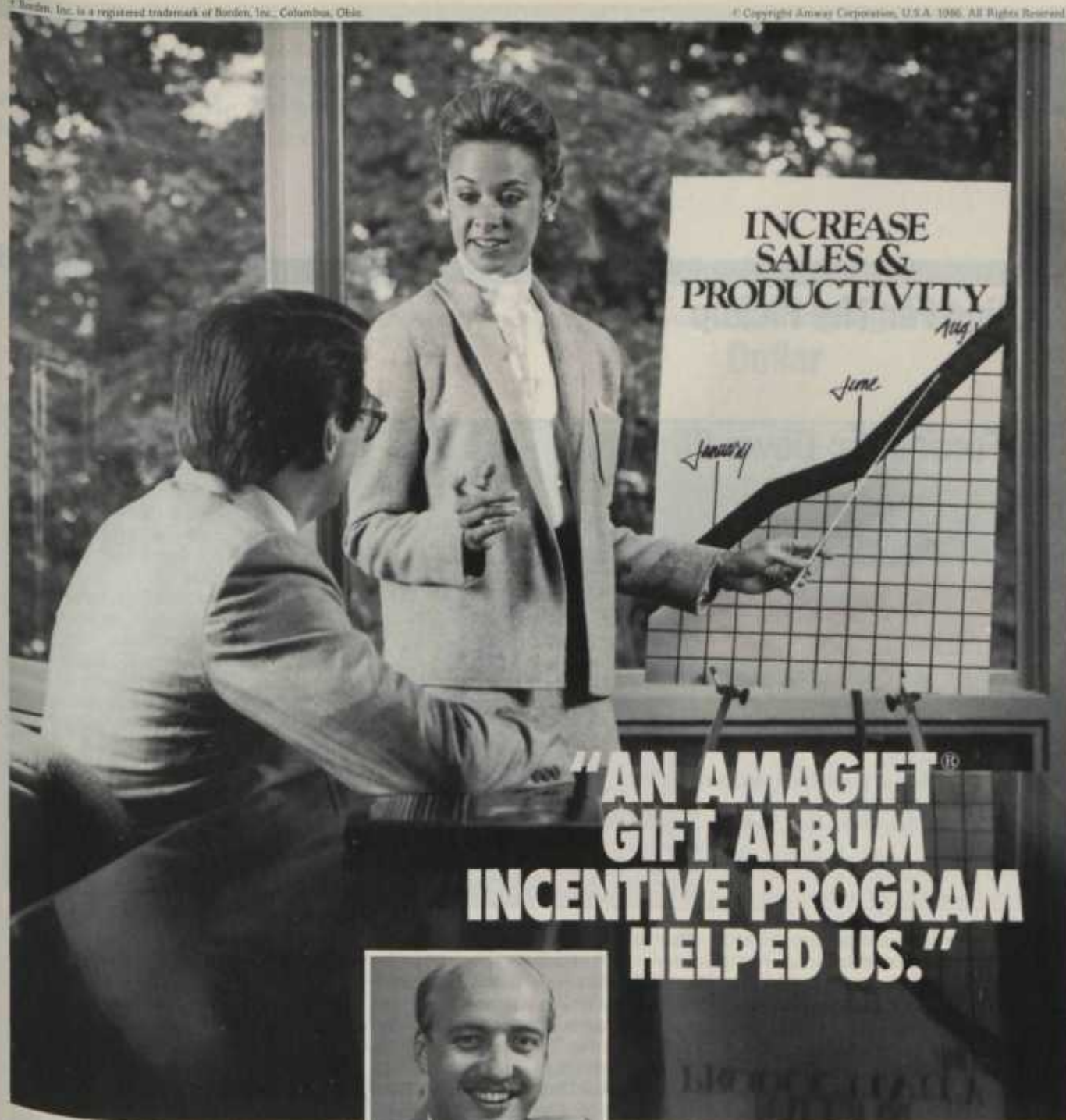
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# Business Outlook

## Waiting For The Pickup

### '86 Forecasts: Down Slightly

**Spendable Personal Income**—percent change from 1985 in constant dollars

**Industrial Production**—percent change from 1985

**Inflation**—Consumer Price Index

**Growth**—gross national product

Polyconomics, Inc., Morristown, N.J.	4.1%	1.8%	4.1%	4.3%
U.S. Chamber of Commerce	3.5	2.0	4.9	3.5
Blue Chip Economic Indicators (average of 51 forecasts)	2.8	2.3	2.6	3.0
National Association of Business Economists (average of 330 forecasts)	2.8	2.5	N/A	N/A
Prudential-Bache Securities, New York	2.0	0.0	2.6	1.8
<b>Average</b>	<b>3.0</b>	<b>2.15</b>	<b>3.5</b>	<b>3.1</b>
Actual '85	2.2	3.6	2.2	1.6

Economic growth should pick up briskly over the next six months, after two quarters in which the economy grew less rapidly than many forecast last spring. At that time, falling oil prices, lower interest rates, moderating inflation and a further easing of the dollar's value against some key foreign currencies persuaded many business economists to revise upward growth forecasts made late last year.

Those favorable conditions still prevail. Economists say they will lead to more increases, however gradual, in real—inflation-adjusted—output of goods and services.

The slower than expected pickup in economic activity, however, is now seen by many as a positive rather than a negative factor—one that augurs well for sustaining the 43-month-old economic expansion into 1988 or beyond.

Says Sung Sohn, chief economist for Norwest Corporation, a Minneapolis-based bank holding company with \$21 billion in assets: "A moderate second half is positive for the economy in the long run. It means a much longer period of sustained growth."

The consensus forecast of a recent survey of 51 leading economists by Blue Chip Economic Indicators, based in Sedona, Ariz., is for a 4.5 percent increase in economic growth over the next six months. The increase for all of 1986 should average out to 2.8 percent over 1985, Blue Chip says. The National Association of Business Economists came up with the same figure for 1986.

By comparison, the official government forecast by the White House Council of Economic Advisers, is for a 3.4 percent rise in GNP this year. (Using another measure, the council expects GNP to grow 4 percent between the last three months of 1985 and the fourth quarter of 1986.)

An earlier Blue Chip survey reported a consensus forecast of a 3.1 percent rise in GNP this year, whereas an NABE survey, taken in the first quarter, forecast that GNP would grow 2.9 percent this year. In 1985, the economy grew 2.2 percent over 1984.

A rash of recent statistics reinforces this widely held view that economic growth will be sustained. Home sales were at record high levels last spring,

spurred by the lowest mortgage interest rates since 1979, and residential construction is at an annual rate of nearly 2 million units; auto sales are rebounding after a late winter slowdown, aided, in part, by manufacturers' finance charges that for some models are as low as 5.7 percent.

Retail sales, after adjustment for inflation, continue to show strength, and total consumer purchases have been rising in recent months. Economists say two special factors are helping to boost consumers' spendable incomes. A record high level of refinancing home mortgages reduces monthly interest payments. And each penny-a-gallon drop in the price of gasoline at the pump puts an extra \$1 billion in consumers' pockets.

The hotel and motel industry, restaurants and popular tourist destinations are bracing for what some say may be a record year. The U.S. Travel and Tourism Administration expects double-digit increases in foreign visitors.

Patches of potential weakness in the economy are showing up in the form of rising inventory levels. Also, employment in manufacturing, the oil and gas industry and agriculture has been trending downward in recent months.

Richard W. Rahn, U.S. Chamber of Commerce chief economist, says that some of the apparent softness in the economy can be explained by factors that will eventually turn positive. "The nonresidential investment sector continues to suffer from uncertainty engendered by the tax reform debate and the initial negative impact of lower oil prices." He says that in time lower oil prices will be a plus for economic growth.

Chamber President Richard L. Leshner says that speedy enactment of the Senate Finance Committee version of proposed tax reform legislation "will have a positive effect on long-term economic growth and job creation." Upon enactment of the Senate tax reform bill, he adds, "we need a moratorium on future tax changes... for at least five



*Favorable conditions mean a rosy economic outlook; a hopeful wait-and-see attitude toward the Tokyo summit's plan to coordinate economic policy.*

*Popular tourist destinations like Walt Disney World, in Orlando, Fla., are bracing for an onslaught of summer visitors. The lowest gasoline*

*prices of the '80s are a bonanza for businesses that benefit from vacation travel.*



PHOTO: BOB SHERMAN—UNPHOTO

years." Leshner says that would give business added confidence that rates of return forecast when investment decisions are made will be achieved.

Rahn is sticking with his earlier forecast that the economy will grow 3.5 percent this year and 5 percent between the fourth quarter of 1985 and the October–December period in 1986.

He says that exports of manufactured goods and services can be expected to rise sharply in the year's second half because a cheaper dollar makes U.S. goods and services more price competitive in foreign markets. Lower oil prices and interest rates, meanwhile, may boost foreign demand for U.S. exports. Cheap oil may boost growth in such important trading partners as Japan, Germany, France and Italy. Lower interest rates reduce heavy debt service payments made by advanced developing nations in Latin America and East Asia, making it easier for them to buy more U.S. goods.

Alan Reynolds, chief economist of Polyconomics, Inc., a Morristown, N.J.-based consulting firm, is even more sanguine than Rahn about the outlook.

Reynolds says GNP will rise 4.1 percent in 1986 over 1985. On the other hand, Edward Yardeni, chief economist at Prudential-Bache Securities, a New York-based investment firm, forecasts a GNP rise this year of just 2 percent.

Allen Sinai, chief economist for Shearson Lehman Brothers, the New York-based investment banking subsidiary of American Express, says of recent economic trends: "Construction and services activities seem to be carrying the economy—particularly retail trade; business and health care services; and finance, insurance and real estate." He says this is in line with the normal sequence of events in a rebounding economy.

For many, interest rates are the single most important factor in determining the pace of the economy over the next six months.

The consensus forecast of a Blue Chip survey of economists is for the prime lending rate that influences commercial and industrial loan rates to remain around 8.5 percent until late in the year. Then, economists expect interest rates to begin to rise.

## Managing The Dollar

Business is taking a wait-and-see attitude toward Treasury Secretary James A. Baker's plan for the world's major trading partners to coordinate their economic policies. The proposal, known by the ungainly name of "enhanced surveillance," was adopted by finance ministers at the seven-nation Tokyo economic summit in May.

Many economists say its implementation is a necessary first step toward correcting the huge U.S. current account deficit—the trade deficit plus income from services sold abroad and investment income—that last year reached a record \$117 billion. As recently as 1981, the United States had a current account surplus of \$6.3 billion.

Colby H. Chandler, chairman and chief executive officer of Eastman Kodak Company, says, "This initiative is an incremental step toward a more stable and predictable exchange rate system and an important move to fend off protectionist pressure arising in Congress." That is important to the maker of photographic equipment, which in good times gets 40 percent of its sales and income abroad.

But Chandler warns that "unless there is follow-through, the hope created will never be realized." That hope is that the combination of a cheaper dollar and faster growth in key foreign markets will boost sales of U.S. goods.

Stephen Marris, a senior fellow at the Washington-based Institute for International Economics, says the Tokyo agreement is a "precondition" to the ultimate success of efforts aimed at preventing a sudden drop in the dollar's value on international exchange markets, an event that Marris says could touch off a recession and a new bout of inflation caused by more expensive imports.

Baker, mastermind behind the administration's aggressive economic policies, has high hopes that enhanced surveillance will lead to "greater exchange rate stability, enhanced prospects for growth and more sustainable patterns of international trade."

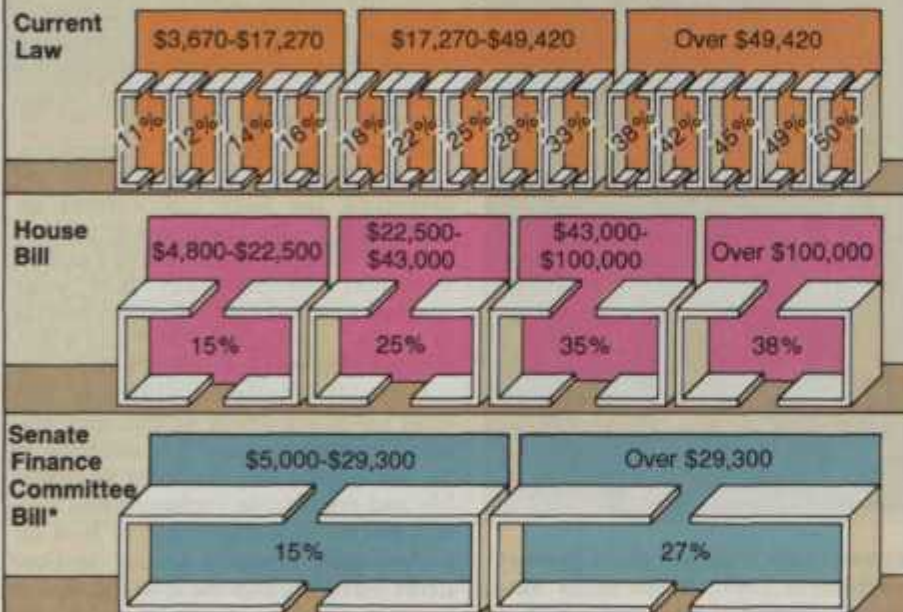


# Washington Roundup

## The Tax Reform Turnaround

### Tax Brackets Compared

(In Taxable Income: Married Couples Filing A Joint Return)



\*There would be a 5 percent surcharge on adjustable gross income between \$73,000 and \$145,320, at which point the rate would drop back from 32 percent to 27 percent. Taxable income is what is left after taking exemptions and all deductions. Adjustable gross income is gross income minus certain specified deductions.

CHART: DALE BLANKEN

Despite reservations about some provisions of the tax reform measure moving through the Senate, the Reagan administration and the business community decided to support it because of the double-barreled appeal of low marginal rates and simplicity.

Low rates also probably kept the tax reform effort from crashing on the rocks of special interest lobbying, says a Senate Finance Committee member.

The Senate tax proposal would lower the top rate on individuals from 50 percent to 27 percent and reduce the number of brackets from 14 (15 for single taxpayers) to two basic brackets. The lower one is 15 percent. The sweeping plan would reduce the top rate on corporations from 46 percent to 33 percent and cut the number of corporate brackets from four to two.

In contrast, the tax bill passed by the House last year, widely opposed by the

business community, would lower the top individual rate to only 38 percent and the top corporate rate to 36 percent.

The House bill would reduce the number of individual and corporate tax brackets to four and two, respectively.

The President, who had expressed disappointment with the House bill, and business, which largely opposed the House effort because of its antigrowth features, were quick to express support of the Senate Finance Committee's product.

Donald C. Alexander, a former commissioner of the Internal Revenue Service and a partner in the Washington law firm of Cadwalader, Wickersham & Taft, says the difference is in rates. "The three points between the top corporate rates [in the two bills] are just enough to make you overlook deficiencies

in the Senate bill" that you could not overlook in the House measure, he says.

"The rates allow one to support something that is slightly imperfect, and the Senate bill is not perfect," Alexander says.

Adopting a radical new rate structure probably saved the tax overhaul effort, according to Sen. Malcolm Wallop (R-Wyo.), a member of the Finance Committee.

Under the leadership of Chairman Robert Packwood (R-Ore.), that panel began its tax restructuring efforts in early April by adding nearly \$30 billion in special-interest credits, deductions and exemptions to the existing tax code.

"None of us were very committed to tax reform," says Wallop.

But reform is President Reagan's top domestic priority this year, and the Democratic-controlled House of Representatives had passed a tax measure the President supported, albeit with reservations. Aware that the tax reform movement was about to collapse in his committee, Packwood made a 180-degree turn and began pressing for a drastically simplified measure.

"There was a feeling that, with a top [individual] rate of about 25 percent, people would be willing to stare down the special interests," Wallop adds.

## Forces Gather Over Picketing Bill

Broad-based business groups and construction trade associations are lobbying for enough Senate votes to discourage organized labor from pursuing a proposal to outlaw "dual shop" operations and, perhaps, legalize "common situs picketing."

Enactment of this bill would preclude contractors from operating two independent but affiliated construction firms—one union, the other nonunion.



*Why business likes the Senate tax bill; how labor is attacking "dual shops"; where the push is coming for liability law reform.*

Of greater concern to the business community as a whole is the possibility the bill could lead to legalized secondary boycotts, say some labor experts.

A study by Thompson, Mann & Hutson, a Washington firm specializing in labor law, concludes that the bill would result in broad redefinition of the term "single employer."

Such a redefinition, in turn, would allow a union embroiled in a dispute with a general contractor to picket that contractor's subcontractors and materials suppliers.

Labor stunned the business community April 17 when it gained House ap-

proval of the measure by more than 50 votes. The legislation was put directly on the Senate calendar, circumventing the committee process, and its backers are expected to offer it as an amendment to "must" legislation, such as a supplemental appropriations bill, according to a business lobbyist.

"Business and labor have about 30 firm votes each on the bill," says Marian Hopkins, a Senate lobbyist for the U.S. Chamber of Commerce. "We're both courting the 35 or so uncommitted senators, but they probably won't let us know what they're doing until just before a vote is taken."

*If this child fell from her swing, would the swing's manufacturer be liable? The answer now depends on a patchwork of state laws.*



PHOTO: DANNY ERIKSON—UNIPHOTO

Critics of the present system for adjudicating liability claims argue that too many state laws are not sufficiently specific and that damages are often assessed against defendants on the basis of ability to pay, not their responsibility for injury.

The bills are before the House Judiciary and Energy and Commerce Committees and the Senate Commerce, Science and Transportation Committee.

## Liability Law Reform

Washington-based business and professional groups seeking to ease the liability crisis have expressed frustration in recent months at the difficulty of winning state-by-state legislative relief.

So it was no surprise that most of these groups were quick to back the first major piece of federal legislation aimed at solving at least one liability problem.

Identical bills introduced recently on behalf of the Reagan administration by Rep. Hamilton Fish, Jr., (R-N.Y.) and Sen. Robert Kasten (R-Wis.) would establish uniform federal product liability laws, pre-empting existing state statutes.

The present crazy quilt of state laws requires manufacturers to comply with many different—and often conflicting—statutes or risk lawsuits.

The measures also would limit non-economic damages—so-called "pain and suffering" awards—and lawyers' contingency fees and spell out the legal grounds on which professionals and manufacturers of everything from baby carriages to rocket boosters could be held liable.

## Updates

### Protection Abroad

U.S. contractors and exporters operating in developing nations are obtaining insurance against losses from such things as inconvertibility of currency, confiscation, war and civil strife from the Overseas Private Investment Corporation, a federal government agency that helps Americans make profitable investments in such countries.

OPIC also is protecting U.S. businesses against such things as unresolved contractual disputes with foreign buyers. Last year the agency insured about \$90 million in American exporters' contracts and sales.

If you do business in the Third World and would like to learn more about OPIC, write Catherine K. Ruckelshaus, Insurance Officer, OPIC, 1615 M Street, N.W., Washington, D.C. 20527 or call (202) 457-7061.

### Futures Trading

Futures contracts became available recently on common-stock indexes, currencies and U.S. Treasury obligations.

These and traditional futures, such as grain and precious metals, have become increasingly popular with institutional as well as individual investors. But futures trading is subject to considerable risk, points out the National Futures Association, the congressionally authorized regulatory organization of the futures industry.

For a free copy of *Understanding Opportunities and Risks in Futures Trading*, call, toll free, (800) 621-3570. In Illinois, call (800) 572-9400.

### Pension Premiums

A law signed recently by President Reagan, the Single Employer Pension Plan Amendments of 1986, increases the Pension Benefit Guarantee Company premium from \$2.60 to \$8.50 per employee per year, retroactive to January 1, 1986.

The statute also revises substantially the single employer plan termination insurance program.



# Small Business Report

*Another recordkeeping hassle; venture capitalists don't like the Senate tax reform bill; start-ups do the most hiring.*

## Opposition To New Inventory Rules

Wholesale distributors and retailers, most of them smaller companies, are up in arms over accounting rule changes contained in the Senate version of proposed tax reform legislation. Such changes would require wholesale and retail firms to capitalize the cost of inventories when purchased and write them off as an expense only after they have been sold.

Current tax regulations allow for immediate expensing of inventories, a rule that enables companies to accelerate cash flow. Capitalizing those costs penalizes firms by spreading out the recovery of costs over several years—how long depends on the goods or service being amortized.

To ease compliance costs, especially on smaller firms, the Senate plan would exempt from the rule firms with annual sales under \$5 million.

Says W. Scott Smith, chairman and chief executive officer of Stull Enterprises, Inc., a Chadds Ford, Pa.-based wholesale distributor of outdoor power equipment:

"If you thought proposals for auto recordkeeping were a nightmare, these are going to be just as bad. Keeping records to comply with the law is going to be a huge headache."

The hullabaloo over Internal Revenue Service proposals last year on recordkeeping needed to qualify for business expense deductions on autos used for business and pleasure prompted Congress to forbid the regulations and forced the IRS to come up with less burdensome rules.

Though Smith applauds the low tax rates on business income contained in the Senate tax bill, he says the new rules are totally unnecessary because most inventories turn over five or six times a year and thus, eventually, will be expensed within a tax year.

Dirk Von Dongen, president of the National Association of Wholesaler-Distributors, a Washington lobbying group representing tens of thousands of retailers and wholesalers, says the accounting theory behind the Senate

*Changes in the Senate version of proposed tax reform legislation would require wholesale and retail firms to capitalize the cost of inventories when purchased and*

*write them off only when sold. Wholesalers and retailers say the recordkeeping involved will be a huge headache.*

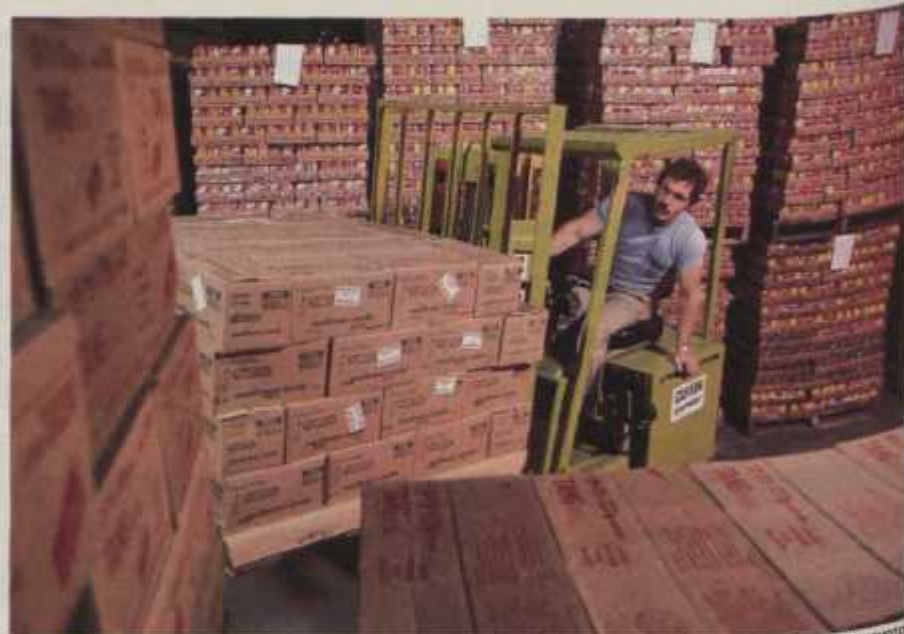


PHOTO: CHARLES GUTTOR—UNEPHOTO

proposal is a desire to match income with expenses. Forcing business to capitalize such costs as purchasing, storage and management time, he says, "ignores the fact that in the real world, matching naturally occurs because of the turnover of inventory that occurs within a 12-month period."

Arthur Andersen & Company, a large national accounting firm, says the

proposal's enactment would result in little in the way of higher tax revenues beyond what is picked up when companies initially go on the system. The Senate Finance Committee estimates a five-year revenue gain of \$2.9 billion.

Tax lobbyists say they will try to get House and Senate conferees to remove the requirement of capitalizing inventories until sold.

## Pulling The Plug On Venture Capital

Venture capitalists who help finance and manage high-risk new ventures are in shell shock because the Senate version of proposed tax reform legislation eliminates the preferential tax treatment of capital gains.

Passage of the Senate version as it stands would raise the maximum federal levy on such income from 20 percent to 27 percent—or even 32 percent (see chart, page 12).

Echoing a sentiment expressed by many venture capitalists, James R. Swartz, a managing director of Accel Partners, a venture capital company with offices in Princeton, N.J., and San Francisco, says of the Senate bill:

"It is a long-run disaster for emerging companies and the whole process of new business creation. It sends a strong signal to risk takers that there is no longer any incentive in risk tak-



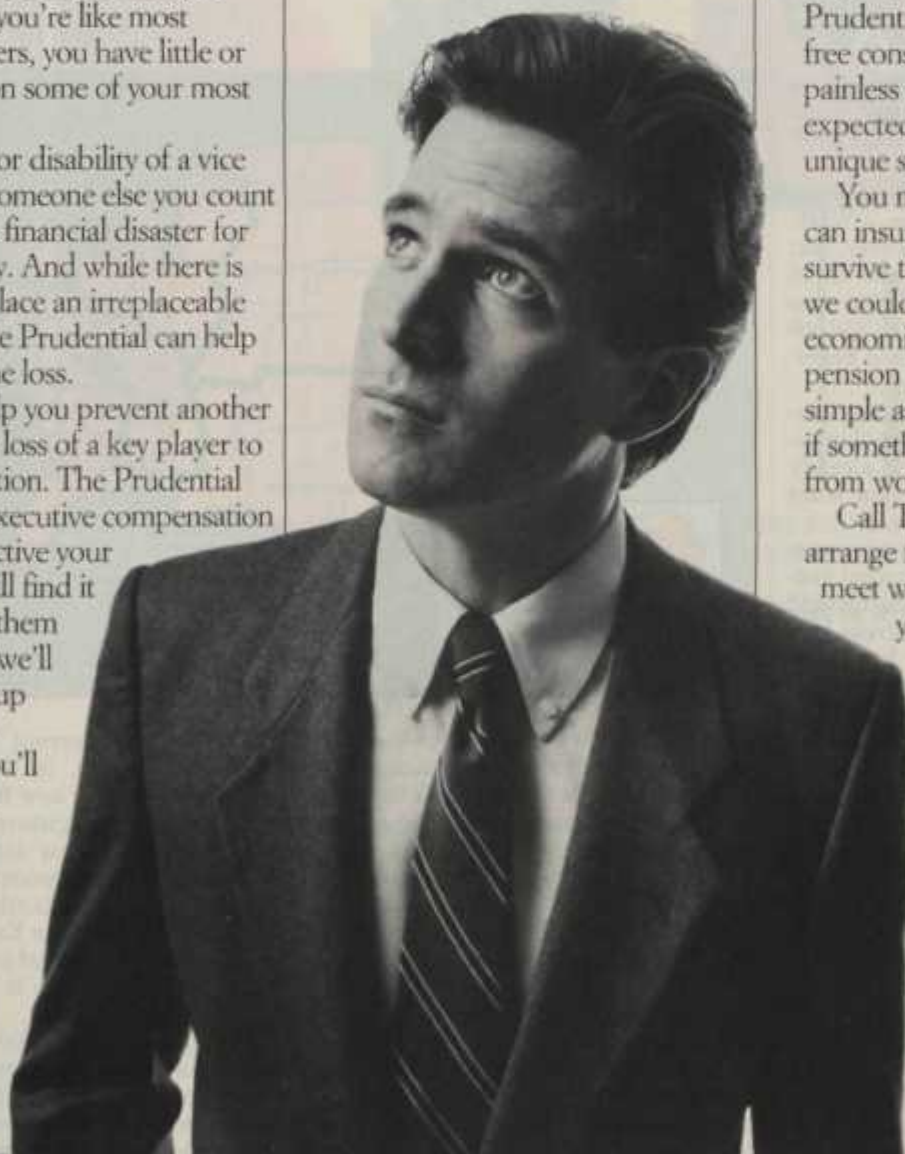
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## THE NATION'S BUSINESS

## Pulling The Plug On Venture Capital

ing. Would-be entrepreneurs just are not going to get pointed in that direction, and it will be extremely difficult to get senior corporate executives to work for little companies."

Adds David Gladstone, president of Allied Capital Corporation, a Washington-based venture firm: "Parity in the taxation of capital gains and ordinary income is a travesty and very detrimental to small business."

Christopher Brody, a managing director of the New York venture firm of E.M. Pineus Warburg & Company, says eliminating the differential between the tax on ordinary income and capital gains would raise the cost of equity capital for high-risk companies.

Such a change would, he says, make the United States one of the few industrial nations that do not give a tax preference to capital gains.

Swartz, president-elect of the National Venture Capital Association, a Washington trade group, says, however, that slashing the corporate tax rate to 33 percent on incomes over \$75,000 (the rate would be 15 percent up to \$50,000 and 25 percent to \$75,000) would generally benefit existing companies.

And, he notes, reducing the top personal tax rate to 27 percent would benefit entrepreneurs who have already cashed out of start-ups and now want salary income.

The Senate action is all the more surprising, Swartz says, because what venture capitalists in 1978 predicted would happen did happen, after Congress lowered the maximum tax on long-term capital gains from 49 percent to 28 percent. That cut, and a further lowering of the capital gains tax rate in 1981, he says, led to a burst of entrepreneurial activity, ample risk capital for new ventures and millions of new jobs in high-growth industries.

The Senate Finance Committee justifies its move to abolish the special treatment of capital gains on the grounds that abolition would bring in an additional \$220 billion in tax revenues over five years.

De Seve Economics Associates, a Washington consulting firm, disagrees. It says raising the capital gains tax rate would add just \$1.9 billion to revenues in that period.

Internal Revenue Service figures show that revenues from capital gains taxes went up after such taxes were cut in 1978 and again in 1981.

A study by Congress' General Accounting Office shows that it may be short-sighted to discourage entrepre-

neurs' risk taking. The GAO projects that \$1.4 billion invested in 1,322 start-up firms from 1970 to 1979 led to creation of companies that are expected to have sales of \$88.8 billion and 1.9 million employees in 1989.

A recent study by Lawrence Lindsey of the National Bureau of Economic Research, in Cambridge, Mass., says that government would maximize its

revenues, in the long run, with a maximum capital gains tax of 18.5 percent.

Industry lobbyists say they will try to get changes made in the final version of tax reform legislation when congressional conferees meet this month to iron out differences between the Senate measure and a tax reform bill passed earlier by the House of Representatives.

## Boom In Business Start-Ups

(Percent of Increases By Region)\*



A lot of chances were taken in the first three months of 1986, as the nation registered a 16.5 percent increase in business formations over the same period last year, according to the Dun & Bradstreet Corporation. Businesses started totaled 63,000.

Says Joseph W. Duncan, chief economist at D&B, a New York-based business and information services company: "Our data for the first quarter indicate a strong pattern of new business activity in virtually all industry sectors."

Double-digit increases were registered in the economy's wholesale, retail, services, manufacturing, finance/insurance/real estate and agriculture/forestry/fishing sectors. The typical new venture had five or six employees.

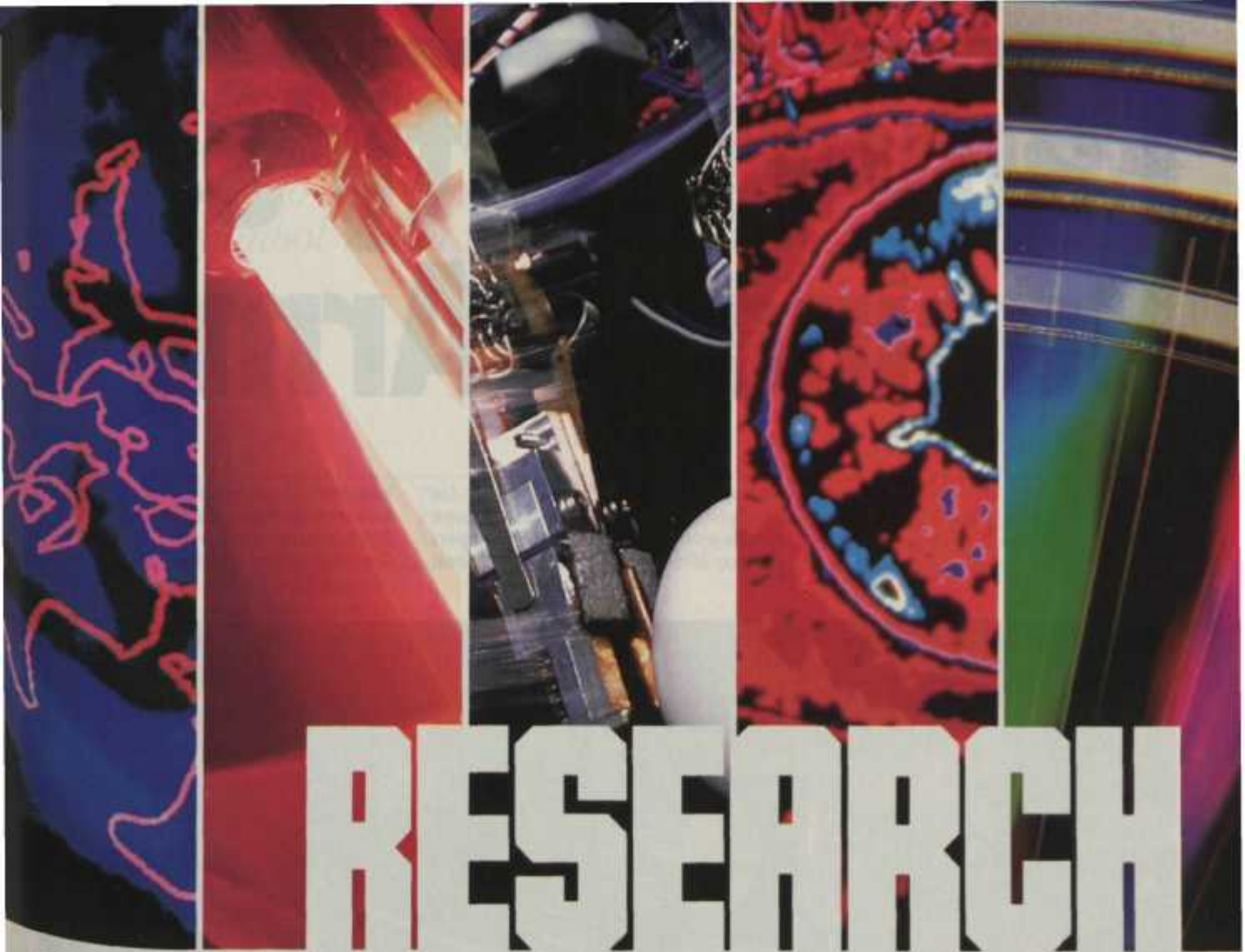
The D&B data show a reduction in the average size of business start-ups in this year's first quarter compared with the same period a year ago. That

resulted in a 7 percent decline, from 330,000 to 307,000, in the number of employees hired by new firms.

New England registered a 51.7 percent increase in new businesses, followed by a 37.3 percent rise in the three-state Middle Atlantic region and a 32.4 percent gain in the East South Central states. The greatest number of new companies formed was in the South Atlantic region—12,180.

During 1985, 250,000 firms were started, and they were responsible for 1.5 million of the year's 2 million new jobs. Most new businesses were in retail trades—72,700 firms employing 419,000 people. The services sector registered an increase of 58,000 businesses, which had payrolls of 339,000. There were 34,000 new construction firms with 142,000 employees. Duncan says as many as 3 million jobs may be created in 1986.





# RESEARCH

*The fruits of Hitachi's ongoing research (from left to right): computed tomography, lasers, robots, a computer-scanned human eye, and optical memory disks.*

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# HITACHI



# Lady Liberty's Business Army

By William Hoffer

*Frank Briguglio, a supervisor on the Statue of Liberty renovation project, strolls past the crown. His employer, Lehrer/McGovern, Inc., of New York,*

*was overall project manager for the restoration marking the statue's 100th anniversary as the world's most famous symbol of freedom.*



PHOTO: © 1986 PETER B. ADRIAN

**T**he American Telephone & Telegraph Company had no intention of leaving Golden Boy behind when it moved from lower Manhattan to its new, midtown headquarters building. After all, the gold-leafed, bronze statue, whose formal title is "The Spirit of Communication," had been perched atop the old headquarters for 64 years. A prominent spot was reserved for it in the new lobby.

But could the 10-ton, 24-foot-high statue actually be moved from its 30-story pinnacle? Some experts said no, given its location and its condition after more than 60 years of exposure to the elements.

Then AT&T found that a small but feisty construction management firm, just two years old, was looking for such opportunities to prove what it could do.

Lehrer/McGovern, Inc., brought in structural engineers to reinforce the

old building's top two floors, then installed the heavy equipment needed to lower the statue to the street. The work began on a Sunday afternoon and continued through the night. Golden Boy was down from its perch on Monday.

This unusual job and the accompanying publicity was the first of several high visibility—and sometimes risky—projects that brought Lehrer/McGovern wide attention among builders and developers seeking construction management services.

The firm was solidly established two years later, when the prospect of working on a much larger and far more significant statue arose. Eugene McGovern, executive vice president in charge of construction, recalls:

"In the summer of 1983, we became aware that something was going to be done with the Statue of Liberty. One day I went out to take a look at it. I

hadn't been out there since I couldn't remember when. You stand there, and you look up at the statue, and you realize what it means to everybody. It makes you drop back and focus on what this country is all about."

He returned to his office and told his partner, "Peter, we're going to do that job." It was an ambitious goal for the company that McGovern and Peter Lehrer had started with no financial backing, no commitments for work, no staff and no office equipment.

Both are civil engineers and had worked for more than 15 years for one of the country's largest construction management firms, Morse/Diesel, Inc. Lehrer had become president of the company's Eastern region; McGovern was vice president of field operations. They resigned on a Tuesday morning in June, 1979, and formed Lehrer/McGovern, Inc., three days later. Their respon-



*A legion of companies—some large but most small, and led by a small firm started only a few years ago—took part in getting a national symbol ready for her 100th birthday.*

sibilities in the new company reflected those in their old one—Lehrer became president, and McGovern took charge of construction. Their wives took unpaid jobs as secretary and bookkeeper.

Their company was to become one of many smaller firms that pooled talents in the renovation of the Statue of Liberty, which is being rededicated this July 4th in observance of its 100th anniversary.

The highly specialized skills involved in the work, such as erection of elaborate scaffolding, construction of a new torch, custom-building of windows for the crown and replacement of the interior framework, tend to be found in smaller enterprises. As a result, the rebuilding of Lady Liberty has been done, to a great degree, by an army of small businesses.

Lehrer/McGovern was one of the most prominent of those firms because of its role as overall manager of the project. The important contract, won in competition with many other firms, gave the partners an opportunity to do just the kind of work they had in mind when they started their own business.

At first glance, they might seem an unlikely pair of partners. Lehrer is soft-spoken, low-keyed and generally conservative in appearance. McGovern keeps his head clean-shaven, cultivates a handlebar mustache and is given to wearing cowboy boots. On the other hand, they are close in occupational background and age—Lehrer is 44, McGovern, 45—and they share similar goals.

McGovern says that many construction management companies become stretched too thin, with key officials isolated from day-to-day operations. The partners decided Lehrer/McGovern would preserve the personal involvement they feel is crucial to quality work.

When they started, McGovern says, "all we had was our reputation," based on years of experience in construction management—which Lehrer defines as

*Peter M. Lehrer, 44, (left) and partner Eugene McGovern, 45, quit good jobs at a large construction management company in 1979 to start their own*

*firm in the same field. Rapid success put them in a position to compete for the contract to oversee renovation of the Statue of Liberty.*



PHOTO: TED MARINO

"a professional service you provide to a client, guiding him through a very tenuous process called construction from the conception of a project to when you turn over the keys to the finished project to him."

The construction manager keeps an eye on everything, working with the architect and engineers to implement their plans, arranging for subcontractors, and making sure needed materials

are ordered and are delivered on time. After forming their corporation, Lehrer and McGovern began canvassing their contacts in the construction industry. In two weeks, they had a contract to build a factory and office building for Colorforms Corporation in northern New Jersey. More projects, including the AT&T job, came along, and the home-based offices of Lehrer/McGovern were shortly replaced by a modern



## COVER STORY

Joe Michielli, of P.A. Fiebigler, Inc., New York, rivets a patch onto Liberty's left eye to cover a small crack and to reinforce the copper plate skin.



PHOTO: © 1986 PETER B. KAPLAN

office suite on Park Avenue. Today Lehrer/McGovern has nearly 400 employees and is managing construction projects with a total value of \$1.8 billion. Revenues grew from \$28 million in 1984 to \$36 million last year and are projected at \$47 million this year.

Overseeing the \$30 million renovation of one of the nation's most cherished symbols will probably be the job for which the firm will be best remembered—and certainly the one that Peter Lehrer and Eugene McGovern will long consider the most important.

The project's origins go back to the formation in 1980 of the French-American Committee for Restoration of the Statue of Liberty. The committee commissioned a binational study of the condition of the monument commemorating France's alliance with the Colonies during the American Revolution.

**T**he statue, originally entitled "Liberty Enlightening the World," was presented to the American people in 1884 by the people of France. It was a combination of the talents of two French geniuses—sculptor Frederic Auguste Bartholdi and engineer Gustave Eiffel (later famed for his tower). Newspaper publisher Joseph Pulitzer spearheaded a fund-raising campaign to build a pedestal for the monument on Bedloe's Island (now Liberty Island) in New York's harbor. President Grover Cleveland presided over dedication ceremonies in 1886.

Ninety-five years later, the study team found that corrosion had eaten away at the statue's copper skin. But the truly upsetting details were internal. To allow Bartholdi's masterpiece to bend and sway with the wind, Eiffel had created a gridwork of iron armature bars, shaped to follow the convolu-

Top: Joseph Fiebigler (in blue jacket) supervises the removal of a curl. Middle: Fiebigler workers Gennaro Ranieri (left) and Giacomo Novelli

forged a new armature bar. Bottom: These armature bars maintain the shape of the statue.



PHOTO: © 1986 PETER B. KAPLAN



PHOTO: © 1986 PETER B. KAPLAN



PHOTO: ARNY LEON



*For two years, the statue was veiled by the world's largest freestanding scaffolding, erected by Universal Builders Supply, Inc., of Mount*

*Vernon, N.Y. Says UBS President Harold O'Callaghan, Jr.: "We set the pace for the rest of the job."*

tions of the skin. The armature bars were not attached directly to the skin but were fitted loosely into saddles riveted to the skin, thus maintaining Lady Liberty's shape while allowing her skin to adjust to changing weather conditions. All 1,700 of these bars were frozen into place by corrosion, and the statue was becoming structurally unsound.

So the study team recommended a renovation program to be completed by this month—in time for the statue's 100th birthday celebration.

The U.S. Interior Department established the Statue of Liberty-Ellis Island Foundation to coordinate a national fund-raising campaign and to oversee the restoration both of America's grand old lady of freedom and structures on the island where millions of immigrants first touched America's shores.

**M**ore than 25 firms submitted proposals to tackle the complex task of orchestrating the activities of some 500 engineers, architects, contractors, subcontractors and craftsmen who would work on the job. But Lehrer and McGovern believed they had an edge on the competition.

Lehrer says unabashedly, "We are the best. From the very beginning we have been able to attract what we believe are the best people in our industry. We're interested in people who have the same commitment and dedication we do, who are aggressive and ambitious and understand that virtually nothing in this business is impossible. This is a business where you are constantly faced with obstacles. Success is the ability to find creative solutions."

After an exhaustive screening process, the contract was, indeed, offered to Lehrer/McGovern. The 30-month Statue of Liberty restoration project began in January, 1984, employing many workers who were immigrants or descendants of immigrants whom the statue welcomed to America.

The *Sally Anne*, a launch owned by Lehrer/McGovern, was to be a frequent visitor to Liberty Island as the firm's two principals supervised handling of thousands of details, some foreseen, many unforeseen. The efforts of the many small enterprises that did the actual work on the vast project began immediately.

One early decision affected what is probably the most visible aspect of the famous statue—the torch. The Franco-American study team had determined that the original one was corroded be-

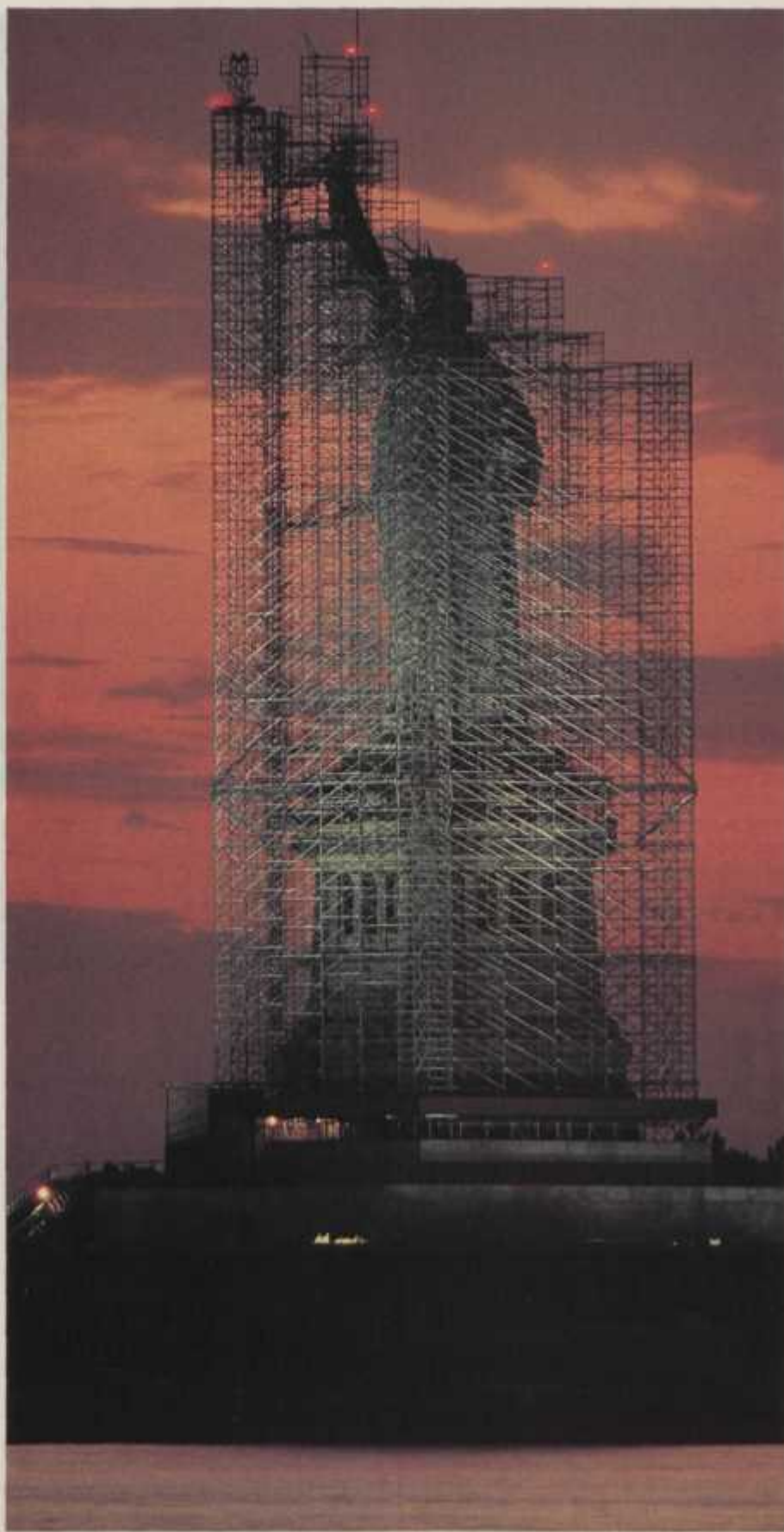


PHOTO: DAN CORWIS—ESTO



## COVER STORY

A TRACO workman installs one of the 25 new windows handcrafted for the statue's crown, providing visitors with a clear view of New York harbor.

Workers unpack new windows that were constructed in TRACO's Warrendale, Pa., manufacturing facility, then flown to New York in

custom-made carrying cases. Company Contracts Manager Phil Abraham says of his employees: "How proud they were!"



PHOTO: © 1986 PETER S. KAPLAN

yond repair. Building a new torch and flame required workers skilled in the highly specialized craft of *repoussé*, an ancient technique of hammering metal onto a sculpted form. There were no qualified *repoussé* artisans in the United States, so Lehrer/McGovern launched an international talent search. McGovern went to France and Germany to select from among 24 firms that responded to an international bid invitation.

Under Lehrer/McGovern's direct supervision, American artisans tackled a legion of other complex problems. Each subcontractor, before beginning work, was given an informal patriotic lecture stressing the national importance of the job. One says that key officials of the restoration project "explained to me that this is the crown jewel of the United States. Nothing could be allowed to damage it."

The Lady now stands in readiness for her 100th birthday party.

Do Lehrer and McGovern, who worried over details of the project for as many as 16 hours a day, regret taking on the job?

"Our responsibility as the construction managers has been formidable," says McGovern. "And yet, we would never have passed up the opportunity."



PHOTO: © 1986 PETER S. KAPLAN

More than 50 contracting firms worked on portions of the Statue of Liberty renovation. Their work, which ranged from replacing interior supports to lighting that will provide a dramatic view of the statue at night, will be honored in bas reliefs on bronze doors at the statue's base. Here is a report on the work of a representative sampling of the subcontractors who participated in the historic project:

#### The World's Largest Scaffolding

Twenty-three companies bid for the contract to erect a massive scaffolding system around the statue, which would provide the work platform for exterior repairs.

In the end, the contract was awarded to the highest bidder.

"We were the only ones to propose a freestanding scaffolding," recalls Har-

old O'Callaghan, Jr., president of Universal Builders Supply, Inc., of Mount Vernon, N.Y. "The engineers could not believe there would be no guy wires attached." Nor would the scaffolding be affixed to the statue at any point.

The lack of guy wires would facilitate movement of equipment and materials around Liberty Island. And by keeping the scaffolding 18 inches from the skin, incidental damage could be avoided as the statue moved with the wind. These key factors made the more expensive scaffolding a bargain, and the contract was awarded to the \$20 million-a-year scaffolding, shoring and hoisting firm that was started by Harold O'Callaghan, Sr., in 1931 and is now run by his sons Harold, Jr., and R.A. O'Callaghan.

UBS had worked on numerous high visibility projects, including the Empire State Building and the United Nations



Top: Artisans from the French metalworking firm of Les Metalliers Champenois practice a variation of an ancient copper-shaping technique

as they fashion a new torch for the statue. Bottom, Robert Gohard and his son apply 24-karat gold leaf to the flame. Unlike the original torch and

flame, the replacements are faithful to the original design of sculptor Frederic Auguste Bartholdi.



PHOTO: C. DAN CORNISH-ESTO

building. But no job could match this one, says Harold O'Callaghan, Jr., "for creating pride and *esprit de corps*. There was a great feeling of camaraderie."

Designed by UBS engineer Alan Shalders, the scaffolding consisted of hundreds of thousands of individual pieces of aluminum laced together with miles of cable. Work began Jan. 23, 1984, and, says O'Callaghan, "we set the pace for the rest of the job. We bulled our way through sleet and snow." When the latticework structure was completed three months later, it qualified for the *Guinness Book of World Records* as the largest free-standing scaffolding ever built.

#### The Torch Of Liberty

In September, 1984, the metalworking firm of Les Metalliers Champenois sent a 12-member team, headed by project chief Serge Pascal and artisan Jean Wiat, from Reims, France, to Liberty Island. Working as much as 60 hours a week, they spent a year recreating Bartholdi's original design of Liberty's torch and flame.

Bartholdi had envisioned a solid flame sculpted in copper, gilded in gold and lit by eight 6,000-candlepower lamps placed on the torch's balcony. The engineer who installed the original lighting, however, worried that ships'



PHOTO: KEVIN MCCARTHY ASSOCIATES

navigators might be dazzled, so he cut a number of portholes in the flame and installed muted interior lighting instead. Bartholdi complained that the torch at night looked like a glowworm, but the damage was done.

In 1916 Gutzon Borglum (sculptor of the busts of four American Presidents on Mount Rushmore) cut away all but narrow strips of the copper and added 600 square feet of amber panels to create a "blazing" effect, further undermining the original design.

Working from old photos, drawings and computer simulations supplied by the National Park Service, the *repousse* artisans first built quarter- and half-size models of the torch. "Copying is always more difficult than creating an original," Wiat says. "And we had to constantly refine our work until there was no doubt that it mirrored Bartholdi's genius."

The *repousseurs* also replaced the seven spikes in the crown, representing the seven seas and seven continents.

Another French company, Robert Gohard Etablissements, applied gold leaf to the flame, donating both its time and approximately \$5,000 worth of 24-karat gold needed to complete the job. It took Robert Gohard and his son two weeks to apply the gold leaf, working on a few square inches at a time.

Rather than being lighted from the



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## COVER STORY

Lighting designers Howard Brandston (left) and Dan Latton survey plans for the statue's dramatic new lighting system.



PHOTO: © 1986 PETER B. KAPLAN

inside as the old torch was, the new one is illuminated from the outside with a carefully engineered technique designed to make the statue as imposing at night as in the day.

#### Dawn's Early Light

The genesis of the new lighting design was in journeys Howard Brandston took to numerous points in New York's harbor at various hours of the day to sit and contemplate the statue. "To me the most impressive view was when the morning sun shone on her, really lighting her face," he says.

Brandston is president of Howard Brandston Lighting Design, Inc., a 21-year-old New York company with 20 employees. The firm has created lighting systems for more than 1,000 major projects in 40 countries, Brandston says, but "this is the most viewed project we have ever done or probably ever will do. It is a wonderful feeling to work on such an important symbol."

When Brandston could find no existing lights that would reproduce the tones of morning light on the statue's green patina, General Electric's Lighting Business Group offered the use of a laboratory. There Brandston labored along with GE's Gilbert Reiling, inventor of the metal halide lamp, to create two lamps. One replicates morning sunlight, and the other mimics the reflected light from a blue sky.

GE donated all the lighting fixtures and financed costs of installation, which was done by a small business, Wade Electrical Contracting Company, of Kew Gardens, N.Y.

The refurbished Statue of Liberty raises her new torch and freshly gilded flame 305½ feet above Liberty

Island. Says Howard Brandston, "She's a gleam of brilliance and a real welcome in our harbor."

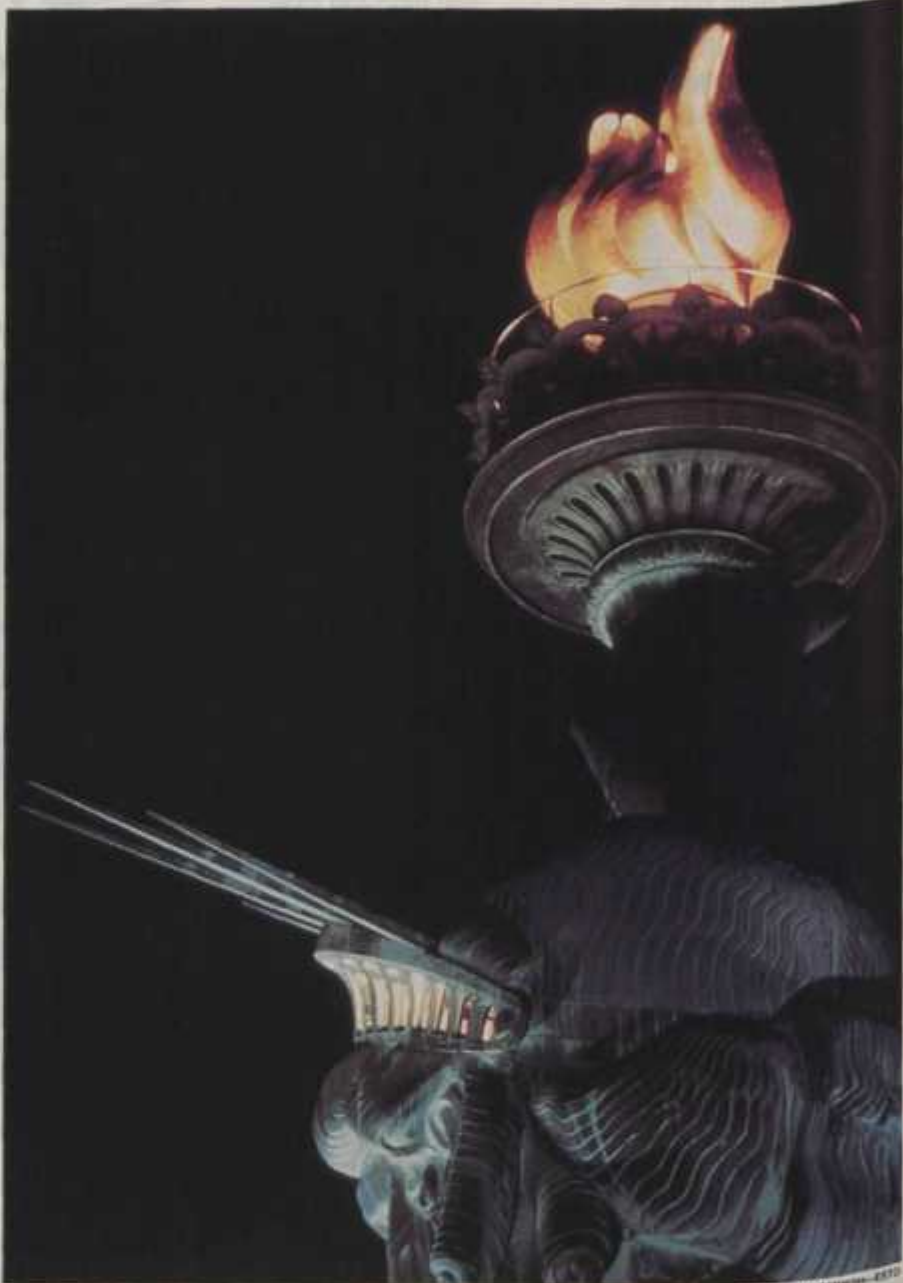


PHOTO: © DAN CORBIN-ESTO

Brandston believes the new lighting scheme will dramatically emphasize the statue's height—305½ feet from the pedestal base to the top of the torch.

The lighting becomes more intense the higher on the statue it gets, and Brandston says the newly gilded torch "will look terrific both day and night."

#### The Cosmetic Touch

Paul August Fiebigler established P.A. Fiebigler, Inc., shortly after he immigrated to the United States from Germany in 1898. Today his grandson Joseph is president of the small New York firm, whose 10 artisans are renowned for their ability to restore and

recreate decorative metalwork. To them fell the task of critical cosmetic reconstruction of Liberty's visage. "We were called in early on," says Joseph Fiebigler, "when the project was still a gleam in people's eyes."

These artisans, who trace their heritage to the blacksmith's forge, worked hand in hand with historians to recreate missing and damaged portions of Lady Liberty in Bartholdi's style. "We did her nose, her eyes, her curls, her lips, her left shoulder, her neck and her upper torso on the back side," Fiebigler says. "We recontoured all the depressed areas where water would lie, hammering them so they would be con-



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## COVER STORY

## Lady Liberty's Business Army

vex." Then, he adds, "we jump-started nature." The freshly worked copper had to be aged to assume the familiar green patina of Liberty's original skin. The proper formula of copper nitrate, cupric acid, distilled water and other chemicals was applied, adding 25 years' worth of weathering to the copper.

All in all, says Fiebigler, "it was as difficult a job as anyone could have. There were times when it was two steps ahead and one step backward. But looking back, it was fun. We're proud to have been a part of it."

## The Armature Bars

Replacement of the interior armature bars that maintain the shape of the statue's thin shell was a joint venture of P.A. Fiebigler, Inc., and Nab Construction, a \$45 million-a-year diversified contracting company based in College Point, N.Y. It was perhaps the most vital part of the entire renovation.

There was no need to change Eiffel's structural design concept. "Even after 100 years, his structural principles are still sound," notes architect Richard S. Hayden, of Swanke Hayden Connell Architects, New York. But the materials Eiffel used had to be replaced.

Each bar's cross section measured three quarters of an inch by 2 inches, but bars varied in length from 5 feet to 6 feet because they were individually contoured to fit the statue's shape at precise locations.

The statue is divided into quadrants, and only three armature bars could be removed from each quadrant at the same time. A total of 12 could be replaced in a 24-hour workday. Workers used a telescoping brace to support bars adjacent to the one being removed. They then drilled copper rivets out of the U-shaped saddles that held the bar in place.

"The entire job was very constrictive," notes Milton Einbinder, Nab Construction vice president. "We had to work in very close quarters."

A total of 1,699 new armature bars, weighing about 35,000 pounds and consisting of about 10,000 linear feet of stainless steel, were fashioned in a painstaking manner that involved sandblasting, heat and pressure treatment, and electric treatment that redistributed molecules in the bars, eliminating stress points. Five of the original bars were left in place.

## The Baking Soda Solution

Fifteen years ago, Victor Strauss, president of Ben Strauss Industries, a

Long Island City, N.Y., painting and sandblasting contractor, bid on a contract to paint the interior of the Statue of Liberty. "I came in second," he recalls. "I was heartbroken."

His late father, Ben Strauss, started the company about a decade after immigrating from Russia. Today the \$8 million-a-year firm is run by Victor and another son, Norman, who is vice presi-

*Says contractor Victor Strauss, who figured out how to deal with a tough problem in the Lady Liberty renovation: "I was glad to be of help and glad that American ingenuity found the solution. My mother is as proud as anything."*

dent. Earlier work for Lehrer/McGovern led to the job this time of painting the statue's interior structural steel.

Close inspection revealed that the steel skeleton was coated with numerous layers of old paint that had to be removed by sandblasting before repainting. Yet in some places, especially in the uplifted arm, it would be a tight fit just to get a worker into position near the steel. Sandblasting normally creates much dust; Strauss knew that would be impractical in the confined environment.

The problem was solved when he modified a tool called the Blast and Vac, which cleans the air as it blasts. Strauss designed a smaller version, which was fabricated for him by the maker of the Blast and Vac, Inventive Machine, of Bolivar, Ohio.

As his crews worked, Strauss became aware of a tough problem. Having used liquid nitrogen to remove paint from the interior of the copper skin, workers found a layer of coal tar underneath, perhaps put there nearly 100 years earlier to guard against water leaks. Lehrer/McGovern wanted to remove it to reveal the plain copper skin, but no one could devise a method of doing so that would not cause damage.

Strauss' research on the problem revealed that sodium bicarbonate had been used to clean copper. He tried it,

and it worked. Church & Dwight Company, of Princeton, N.J., packagers of Arm and Hammer Baking Soda, donated the raw materials, and Strauss' crews soda-blasted the coal tar off.

"I was glad to be of help and glad that American ingenuity found the solution," says Strauss. "My mother is as proud as anything."

## Jewels In The Crown

TRACO, the modern acronym for Three Rivers Aluminum Company, founded in 1943 by the husband and wife team of E.R. and Mae Randall, maintains a 500,000-square-foot, computer-integrated manufacturing facility in Warrendale, Pa. "We couldn't use any of our new equipment on this job," says Contracts Manager Phil Abraham. "We had to go back to doing it the old-fashioned way."

The task was to replace the 25 windows in the statue's crown.

"Each is a different shape," Abraham explains. "There was nothing square in the entire statue, so individual templates had to be very carefully made. Then each window had to be handcrafted; it had to be treated almost as a separate project unto itself."

When the templates were finally ready, TRACO craftsmen, working at the Pennsylvania factory, cut the individual frame, jamb and sash members from sheets of a noncorrosive bronze alloy compatible with the statue's copper-plate skin. Each section was then bent to the necessary outward curvature and brazed with silver solder. The curved window panes, hand-polished to produce a satiny finish, were then fitted into the frames and affixed with a silicon sealant.


Once assembled, each window was ensconced in its own custom-made carrying case and flown to New York. "The people here at the factory—how proud they were!" Abraham says.

*Peter Lehrer undoubtedly sums up the feelings of the many subcontractors, craftsmen, engineers, designers, researchers, fund raisers and others who made the renovation possible:*

*"For all of us working on the Lady, this project has become a labor of love. The spirit and pride of hundreds of men and women involved bring out the best of us as Americans. We all are thrilled to have this opportunity."* **LB**

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# Taking Social Security Private

By William Hoffer

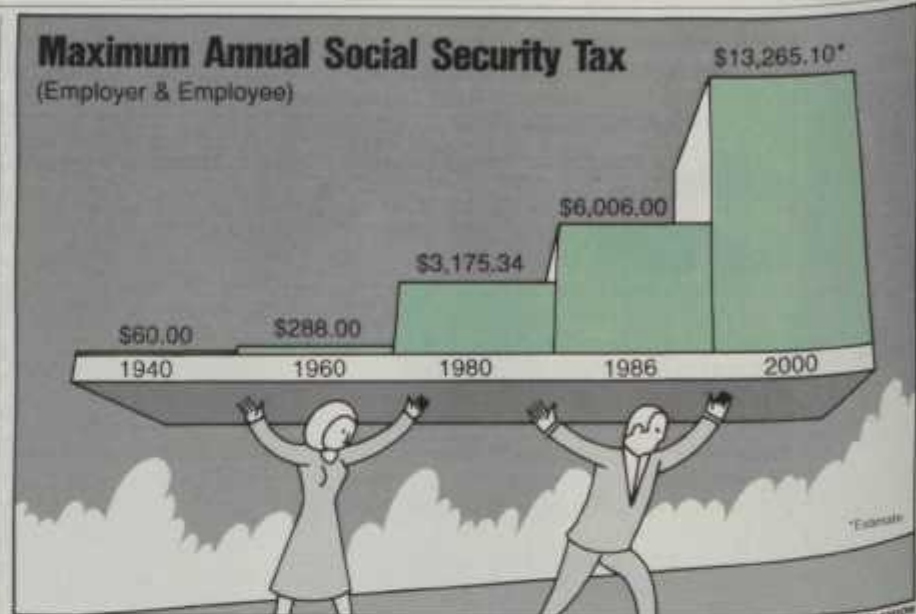
**O**n Sept. 20, 1982, Baylor University Medical Center in Dallas exercised its option as a nonprofit institution and pulled out of the Social Security system, replacing it with the Baylor Employee Security Trust. Employees were required to contribute 3.5 percent of their wages to BEST, and Baylor matched the amount. The combined 7 percent contribution was little more than half of the combined 13.4 percent Social Security tax—and yet BEST offered retirement, disability and survivor's benefits equal to or better than Social Security benefits.

But BEST lasted only 15 months. With the Social Security treasury nearing bankruptcy, Congress forced institutions such as Baylor to come back into Social Security. As of Jan. 1, 1984, BEST was frozen, and Baylor's employees had to resume payment of Social Security taxes. The effect, for many, was to see their annual raises disappear as the government required them to pay more for the same protection. "They were really disappointed," says Tony Piazza, assistant director of personnel. "It was a shame."

The incident that ultimately doomed BEST occurred at 4:59 p.m. on Nov. 5, 1982, when the Old Age and Survivors Insurance and Disability Insurance Trust Fund—what insiders call the "big one" of the various Social Security trust funds—technically became insolvent and had to borrow to pay its scheduled November benefits. That triggered an ongoing debate about the future of Social Security that has not died despite an apparently successful patch-up job. Although the system seems to be functioning well now, what is the prognosis for the long term?

Beyond that basic question, analysts have found other issues that yield no easy answers. Is Social Security a good investment for society? For employers? For individuals? Does the government belong in the business of retirement planning? Could the private sector do the job better?

Congress is likely to be debating those questions for years to come. Legislation has been introduced that would begin to privatize the Medicare portion of the Social Security system and economists are giving serious consideration to a plan called the Super-IRA that



would eventually transfer most or all of the system from the public to the private sector.

There are those who wonder why anyone still wants to raise such issues.

The basic individual retirement account is in serious jeopardy, threatened by the Senate Finance Committee's proposed tax reform bill that would limit tax-deferred IRA contributions to the approximately 6.5 million Americans who have no other retirement plan. Savings and investment lobbyists have their hands full attempting to retain the current IRA; it therefore seems an unlikely time to propose Super-IRA.

What's more, the trust funds are currently bulging as a result of the Social Security Amendments of 1983, which slashed \$100 billion in scheduled benefit increases, accelerated increases in both employer and employee payroll tax contributions, and brought nonprofit institutions (such as Baylor) and others into the system. In 1986, thanks to those measures and an expanding economy, the Social Security treasury will have no difficulty in paying out \$182 billion to some 37 million Americans (about one out of every seven).

Enacted in an era of desperation and poverty, Social Security was a godsend to millions. But as the system has matured, says Peter J. Ferrara, a Washington attorney who has become a lead-

ing advocate of Social Security reform, it has become more and more of a burden on both employer and employee.

The future supply of funds coming into the Social Security treasury is threatened by the trend toward zero population growth, while a sharply rising demand on the trust fund is assured by a rapidly expanding community of aged Americans. In the year 2035 the Social Security Administration will be obligated to pay 80 million Americans \$5 trillion in benefits.

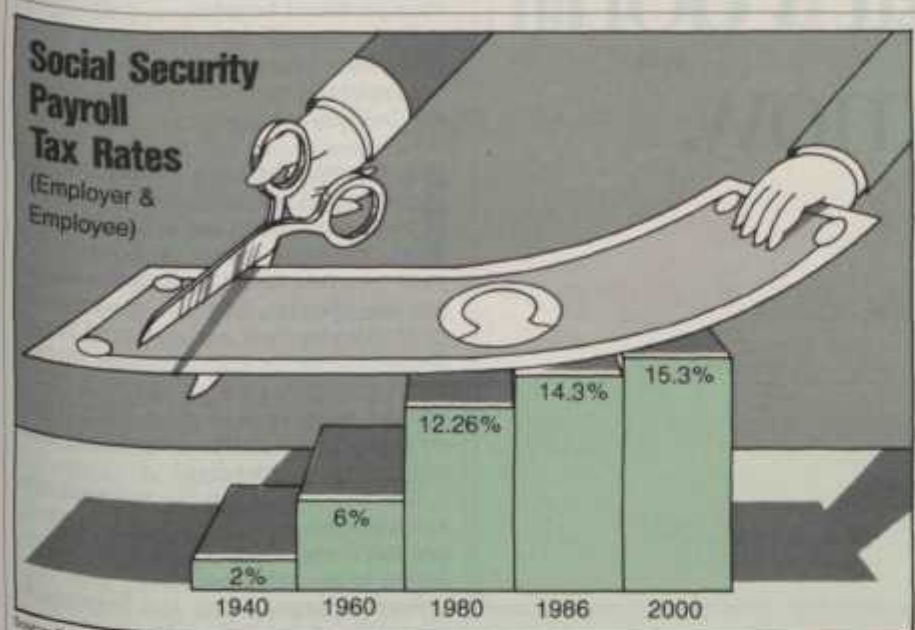
**C**onsider what the future portends for payroll taxes. During the first 13 years of its existence, Social Security enacted a maximum employer/employee contribution of \$60 per year per worker. As recently as 1958 the maximum combined Social Security tax was only \$189. By 1965 it was still only \$348. Today it is \$6,006, and by the end of the decade it will approach \$8,000.

The combined tax rate rose from 14.1 percent in 1985 to 14.3 percent this year and will jump to 15.02 percent in 1988 and 15.3 percent in 1990. Eventually, Ferrara contends, Social Security payroll tax rates will have to be increased to 33 percent—or higher.

Will either employers or employees countenance such a high rate of taxation? Can they?



*Faster than a speeding inflation rate, more powerful than an IRA, able to leap over Social Security trust fund deficits at a single bound, it's SUPER-IRA!*



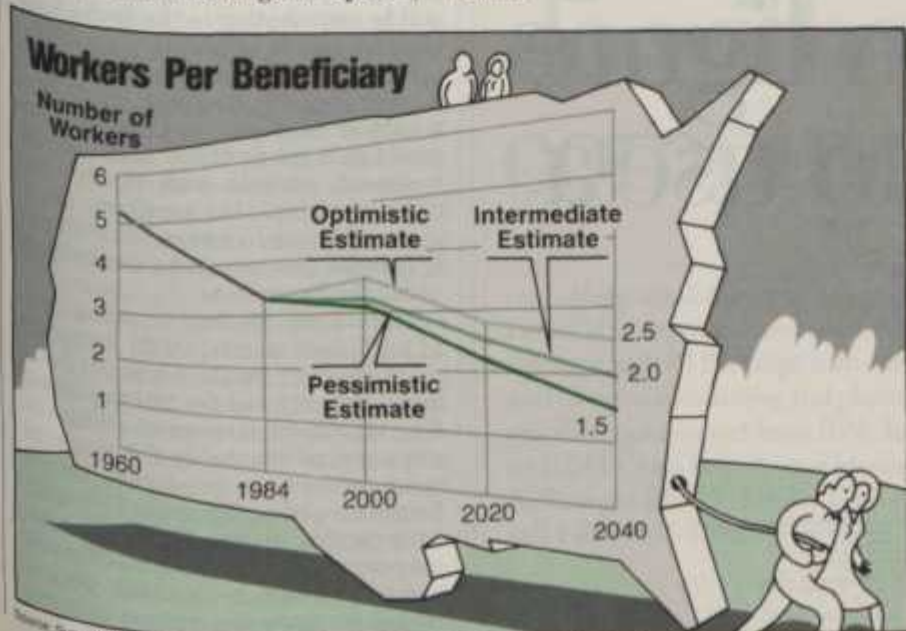
Source: Social Security Administration Program Circular #1217, June, 1985.

The answer seems to depend on one's point of view. Two separate surveys conducted last year yielded vastly different conclusions. One survey, carried out by Yankelovich, Skelly and White, Inc., and funded by the American Association of Retired Persons, found that 88 percent of respondents opposed phasing out Social Security and replacing it with private pension plans.

"They think it's a great system,"

says AARP Executive Director Cyril Brickfield.

However, a similar survey conducted by Civic Service, Inc., found that half of those aged 18 to 44 had no confidence in the government's ability to pay promised benefits. And more than half of respondents in that age group viewed their future Social Security benefits as only a minor source of retirement income.



Source: Summary of the 1985 Annual Report of the Board of Trustees: Old-Age, Survivors and Disability Insurance Program.

On that latter point, experts agree. Even today, Social Security falls far short of providing a realistic retirement income. Only after retirement do many Americans realize how inadequate the income can be.

"Social Security is intended to provide for only the most basic income needs," declares Martha A. McSteen, acting commissioner of the Social Security Administration. "It provides a floor or foundation onto which many beneficiaries may build by adding income from private sources such as individual savings and private pensions."

That statement echoes the philosophy of the U.S. Chamber of Commerce. Says John N. Erlenborn, a former congressman who chairs the Chamber's Task Force on Retirement Income Policy, "The central theme of the Chamber's view of retirement policy is belief in and support for the so-called three-legged stool of retirement security." Those three legs are Social Security, employer-sponsored pension plans and personal savings. Peter Ferrara, the reformer, wants to see the second and third legs strengthened.

Social Security, because it is forced on 95 percent of all Americans, solves the single most basic problem of personal retirement planning. Younger people have a difficult time envisioning themselves growing old. For most, current consumption is far more attractive than saving for a long-distant eventuality. Social Security demands a measure of involuntary planning.

"The private sector does some things a lot better than the government," acknowledges John Rother, AARP's director of legislation, "but there are also some things that government does better, and social insurance is a very efficient thing that the government does."

Any talk of tampering with the Social Security system brings an immediate and understandable cry of alarm from the older segments of U.S. society. Ferrara's first tenet of Social Security privatization, therefore, is aimed at calming such fears.

First and foremost, he says, the government should guarantee that all promised benefits, including cost-of-living increases, will be paid—no ifs, ands



"A computer can't tell me anything that I don't already know."

"I've got more important things to do than figure out how to use a computer."

## THE NATION'S BUSINESS

### Taking Social Security Private

or but. This would be accomplished by providing all retirees with a U.S. government Social Security bond—with the same legal status as a U.S. Treasury bond—contractually entitling them to their promised benefits.

That accomplished, the government could then begin to offer an appealing alternative to each individual American still in the work force.

In theory, Ferrara's concept of the Super-IRA sounds almost too good to be true. How would you like to—at no cost—amass a fortune for your own retirement, help your employees do likewise, see the government grant all promised and deserved Social Security benefits and increases to current retirees and to anyone who chooses to receive them in the future, strengthen the national economy, and reduce federal spending?

And how would you like to, gradually and over an extended period of time, see the Social Security function transferred to the private sector?

Ferrara argues that the Super-IRA can accomplish all that. It would allow any employee to set up a personal, private retirement investment account, with some significant differences from the current IRA. Instead of simply deducting contributions from taxable income, Super-IRA contributions would result in a dollar-for-dollar income tax credit, up to some reasonable initial limit, for both the employee's contribution and the employer's matching contribution. In effect, neither party would be paying a penny, although both would still be contributing to the Social Security treasury as before.

Result: The employee would have more money, the employer would have a happier employee, and the employee would gain the flexibility of modern investment markets with their better rates of return. The condition: He or she would have to forego Social Security benefits that matched those received under the Super-IRA.

Ferrara argues that the advantages of such investments would encourage more and more employees to opt out of Social Security and for this totally tax-free retirement investment. When the employee retires, he or she would receive reduced—or no—Social Security benefits based on the level of his or her contributions to the Super-IRA. Any long-term crisis in the Social Security treasury would be averted, because contributions would remain constant, while benefits would be paid to a dwindle.



ding percentage of retirees clinging to the government's security blanket. The pressure to increase payroll tax rates would be lessened to the extent that the American work force participated in a Super-IRA program.

AARP's Brickfield declares that future rates of return on private investments are almost impossible to predict, whereas Social Security provides a predictable benefit not dependent on the vagaries of the financial markets. Risks inherent in private investment, he says, are simply unacceptable when one is considering the basic retirement income needs of millions.

But as far as Ferrara is concerned, there is no contest. The primary fault of the current system, he asserts, is that it operates on a pay-as-you-go basis. "The money that you pay into Social Security is not saved for your retirement," he notes. "It is immediately paid out in current benefits."

The logic of such a system, says Ferrara, is that of a chain letter. "The people who get in first do very well, because they may only have to pay tax for a few years," he explains.

In a study published last April under auspices of the National Chamber Foundation, Ferrara calculates that even the low income worker, paying far less than the maximum payroll tax throughout his career, can expect to realize a return of only 2.13 percent on his investment while the worker who contributes the maximum taxes throughout his career will, on the average, lose 1 percent of his investment.

**T**he hitch in the Super-IRA plan is that while the Social Security treasury would not suffer, the general treasury would. Monies that would have been paid in federal income taxes would, instead, find their way into private investment accounts.

Ferrara dismisses this objection. He says the Super-IRAs would be phased in gradually so that the treasury would never suffer a precipitous shortfall.

A quartet of congressmen—French Slaughter (R-Va.), Philip Crane (R-Ill.), Mark Siljander (R-Mich.) and David Dreir (R-Calif.)—has taken the first substantive step toward privatization, introducing legislation to ease the pain on the Medicare portion of the Social Security system by allowing an individual to establish a Medical-IRA. A 20-year-old entering the work force who made a maximum annual tax-free contribution beginning at \$464.10 (the average worker's contribution to the Medi-

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## THE NATION'S BUSINESS

## Taking Social Security Private

care Fund), rising 5 percent a year along with wages and invested at, say, a 9 percent rate of return, would amass \$500,000 by age 67. He or she could then use the money to buy health insurance and pay medical bills and bequeath the balance.

If the Medical-IRA becomes law, other aspects of Social Security privatization could be phased in to cover retirement, disability and survivor's income. And at every step along the way the individual would retain the clear choice to remain fully covered by Social Security or to opt for any portion of privatization.

But it may be politically impossible to pass Super-IRA legislation in an environment where the three most commonly heard words are "Gramm-Rudman-Hollings," with "tax reform" running a close second. At the very time when the war on the deficit is digging in for the long, tough haul, would Congress dare to implement a Super-IRA program that would add \$10 billion to the deficit in its first year?

Furthermore, the Senate's tax re-

form package is headed squarely in the opposite direction. Its proposal would seriously undermine the third leg of the "three-legged stool" of retirement security (Social Security, employer-sponsored pension plans and personal savings) by disallowing tax deferral of IRA contributions made by workers already covered by a pension plan.

No one knows exactly how many Americans would be affected. The Employee Benefit Research Institute estimates 24.4 million Americans now have IRA accounts. The Investment Company Institute, trade association of mutual funds, puts the figure at closer to 40 million. If the Senate proposal becomes law, it would disallow further tax deferrals of contributions (though not tax deferrals of IRA earnings) for about 70 percent of current IRA investors.

Ironically, in the long term such an action might benefit a Super-IRA proposal. Any decrease in the amount of private retirement savings would ultimately increase the strain on the Social Security system.

Therefore, although a Super-IRA may be years away from serious consideration, Ferrara is confident that its time is coming.

"I think that if the Senate Finance Committee proposal goes through as it is, there will be a lot of pressure to revisit what we did with IRAs," says Ferrara. "I think there will be a push in the next couple of years to look at the idea again and see what we might want to put in its place."

And on the subject of budget deficits, Ferrara contends that biting this relatively small bullet now would bring about fantastic budgetary reductions in the future. "The potential for reduced government spending is enormous," he claims. "Social Security accounts for almost a third of all federal spending, counting Medicare and everything. If there are going to be any reductions in government spending, then they have to do something about Social Security." ■

To order reprints of this article, see page 73.

## How A Super-IRA Might Work

John Q. Private, 36, sales manager for the Wyoming Widget Works, earned \$39,600 in 1985, which happened to be the earnings ceiling for Social Security and Medicare contributions. John and his wife Mary have two children, and claim the standard deduction on their income taxes. John considered stashing \$2,000 in an IRA.

Analyzing his income and tax position for 1985, he calculated his net income with and without an IRA:

### Without IRA

Wages	39,600.00
S.S. tax	2,791.80
IRA	0.00
Income tax	5,211.00
Net spendable income	31,597.20

### With IRA

Wages	39,600.00
S.S. tax	2,791.80
IRA	2,000.00
Income tax	4,437.00
Net spendable income	30,371.20

It will cost John \$1,226 in present

income to save \$2,000 for his retirement. Though John is convinced that an IRA is a sensible investment, he is not sure he wants to part with the spendable cash now to plan for a long-distant event.

But suppose a Super-IRA option was available.

In its initial phase, a Super-IRA program might allow John to contribute an amount equal to 20 percent of his current Social Security tax into a private fund.

John could direct the Wyoming Widget Works to match that contribution, thus doubling his investment. Both John and his employer would receive a dollar-for-dollar tax credit for the contributions to the Super-IRA, so neither would suffer any loss.

After he took such steps, John's analysis would now look like this:

Wages	39,600.00
S.S. tax	2,791.80
Super-IRA	558.36
Income tax	4,652.64
Net spendable income	31,597.20

It will cost John nothing in present income to save \$1,116.72 for his retirement.

An additional option is open to John. He could invest in both an IRA and a Super-IRA, in which case the analysis shows:

Wages	39,600.00
S.S. tax	2,791.80
IRA	2,000.00
Super-IRA	558.36
Income tax	3,878.64
Net spendable income	30,371.20

Using both plans, it will cost John \$1,226 in present income to save \$3,116.72 for his retirement.

One more calculation convinces John which course of action is the wisest for him to take.

If he makes a similar IRA and Super-IRA contribution each year until he retires at age 66, assuming an average 9 percent growth rate, he will have invested a total of \$36,780 in current income to amass a privatized retirement account of \$463,061.88.



# Marketing

By Diane C. Donovan

**W**hen Charlie M. first decided to advertise his San Francisco wine shop through the mail, he was convinced that the perfect mailing list would generate unprecedented revenues. Mailing lists, he was told by fellow business people, were a select audience for his products and services. Similar businesses had boosted their incomes through direct mail advertising, and so could he.

In theory, Charlie may not have been wrong. But in practice, his mailing list venture turned sour. More concerned with the commercial list's apparent bargain rate of \$6 per 1,000 names than with the quality of the names, Charlie cut too broad a swath through the city. He might as well have simply dropped leaflets from an airplane.

Instead of being impressed by the list's cost, he should have concentrated on what kind of customer the names represented. Does John Smith even like wine? Does Mary Brown live reasonably close to his store? Has Kay Ewing moved out of town? Is Harvey Baling old enough to purchase liquor? What about JKLandco? That sounds more like a company than a person. Do any of these people have the income typically enjoyed by connoisseurs of the fine, expensive wine Charlie sells?

If Charlie had taken the time to study his options in mailing list choices, he might not have ended up with hundreds of returned advertisements that had been sent to out-of-date addresses—and his targeted audience would have been more likely to take advantage of the great bargain on the Napa Valley wines he had just stocked.

"Most list purchasers are not educated about mailing list choices," says Ric Marzano, administrative assistant at Merchandising Methods, Inc., a San Francisco full-service direct mail facility. "Buyers often do not know whom they want to target; yet they expect a high rate of positive response."

Mailing lists will work for any business that can accurately target its customers, and there are a couple of ways to acquire lists that will hit the mark.

Diane C. Donovan is mailing list manager for the San Francisco Planning and Urban Research Association.

*Mailing lists can accurately target avid customers. Regulars at the House of Musical Traditions, in*

*Businesses that buy the right to use mailing lists pay for the chance to choose customers. The trick is to come up with the right list.*

*Takoma Park, Md., gladly pay \$1 to receive a year's worth of notices from David Eisner (left).*



PHOTO: T. MICHAEL REZA

A house list, compiled from a business' own circle of valued customers, is always the best kind to cultivate. Businesses can easily compile their own mailing lists from addresses on customer's checks, sales receipts or forms that invite customers to place their names on the list. Even Charlie, who wanted to expand his customer base, could have used this method. He only had to ask his preferred customers to provide the names and addresses of their wine-loving friends.

Wilford Wong, general manager of San Francisco's Ashbury Market, which specializes in groceries, believes that company mailing lists should be composed of customers who are actively interested in what the company sells, rather than casual inquirers.

"We began using a mailing list nine years ago, when we started a newsletter to sell our products and services," says Wong. "We used names from our established customer files; but beyond the first 200 names we did not attempt to solicit more. We found that too many people signed up automatically when we used a sign-up sheet. Now we only

add names of customers who seem genuinely interested in our products."

"As helpful to business as house lists can be, business owners should respect their customers' wishes for privacy," says Michael George, list services manager at Direct Mail Marketing, a San Francisco list brokerage agency. "Not everyone willingly gives out name, address and phone number, even to a favorite store."

**B**ecause mailing lists can be produced from many different sources, some consumers feel that they are flooded by junk mail. Issues of invasion of privacy by mailers have been raised in court. So far the rulings have followed the line of reasoning that it is a short walk from the mailbox to the garbage can, upholding advertisers' right to mail as much as recipients' right to ignore such solicitations.

David Eisner, owner of the House of Musical Traditions, in Takoma Park, Md., has come up with a way of multiplying the effectiveness of his store's mailing list and making sure his cus-



## MANAGING YOUR BUSINESS

## Marketing

*"Soliciting new names does not automatically guarantee profitable returns," says Wilford Wong, general manager of the Ashbury Market, in*

*San Francisco. "We only add names of customers who seem genuinely interested in our products."*

tomers want to receive his advertisements. He leaves a sign-up sheet prominently displayed next to the guitar picks and Jew's harps. Anyone wanting to be on the mailing list must pay \$1 for the privilege. This way, Eisner is able to assemble only the customers most interested in the store. He then gives the filled sheet to a friend who computerizes the information for future mailings.

He and neighboring shop owners, many of whom offer such specialty items as gourmet food, antiques and handcrafted gifts, periodically pool their customer lists to attract visitors to special events sponsored by the group of stores.

Though a commercial mailing list is not as specifically targeted as is a list cultivated by the store itself, it can offer a happier result than Charlie M. suffered. These lists are compiled from numerous sources: property deed records, sweepstakes, ad and mail order catalog respondents, and magazine subscriber files. Once names and addresses are gathered, they are sorted into various categories, such as credit card holders, newlyweds, parents, seniors, property owners, even people living inside a certain zip code.

"Lists' prices are based on their content and compilation cost," says Michael George. "There are broad price ranges in every list category. Magazine subscriber files, for example, run \$40 to \$65 per 1,000 names. Lists sold by expensive, large-circulation magazines reaching higher-income subscribers and purchasers may cost more than smaller publication or lower-income subscriber lists."

Other categories run up the value of the mailing list. Any list of computer users is expensive right now because it focuses on a hot market where there is a lot of money to be spent. Lists of people who have already bought through mail order are also valuable. Mail order shoppers generally have a record of buying more than others.

George cautions against inflated expectations, however. On the average, he says, list purchasers should not expect more than a 1 to 2 percent response rate. Timing is also important to a direct mail ad campaign. Instantaneous turnaround of a mailing list order is rare.

Most mailing lists are maintained on computers, which allows numerous selections using many combinations of



PHOTO: JAMES MASON

criteria. A purchaser should not expect instant delivery with his or her list order. Some custom-run lists can take up to 10 working days to manufacture. If the list purchaser must have the advertisement in potential customers' hands by a certain date, the buyer must carefully factor in processing time in the schedule.

Charlie M., who already made a bad list choice for his wine advertisement by not being sufficiently selective, further jeopardized his first mailing by expecting instant turnaround of his order. Because he did not properly add the list development time to the time necessary to process and deliver the mail, his sale date was almost past before his potential customers even received fliers.

Businesses may also elect to trade their mailing lists with related companies rather than renting lists from commercial sources. Some outdoor catalog publishers, for example, exchange mailing lists for one-time mailing use.

Commercial mailing list vendors fall into two groups: brokers who use industry sources to locate lists and compilers who create the lists. Charlie bought from a compiler, thinking he would save money. Later he discovered that a broker might have been less expensive and more selective and would have offered additional services, such as printing and mailing.

Though brokers help buyers puzzle out the specifics of their individual mailing campaigns, the buyer must still be informed about the business end of purchasing the right to use the mailing list. Key factors include:

**Purchase agreements.** Lists are typically sold for one-time use. Buyers with repetitive, targeted response mailings will want to clarify reuse clauses, discounts for duplicate sets and updating services.

**Updating routines.** List integrity and price often rest upon updating schedules. The most important question a purchaser can ask is how often a list is updated. Those updated every 90 days or less are most complete.

**Hidden costs.** Add-on charges can change a good deal to a poor choice. Special rates should be ascertained for initial list testing, minimum orders, updating services, cash payment credits, costs for various formats, shipping and special package deals.

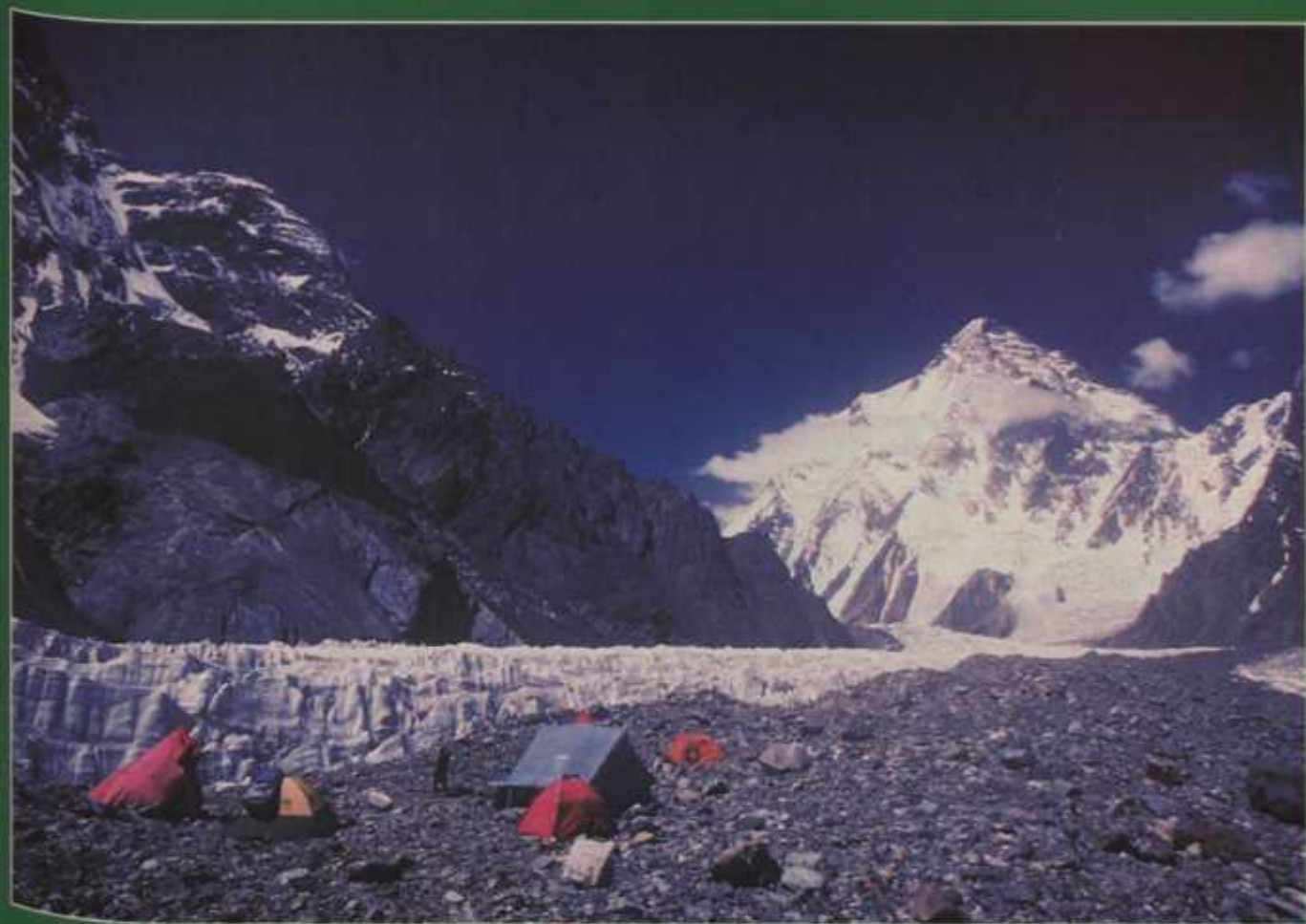
Charlie began his mail campaign convinced that an exclusive, generic mailing list of names would revitalize his business. His second list purchase, which was supplemented by the advice of an experienced friend and a helpful broker, produced more desirable results. Customers in the area who visited his specialty wine shop had both a previously identified interest in fine wines (they were subscribers to an expensive wine journal) and the money to buy them (they were owners of moderately expensive homes).

Sales increased; but more importantly, Charlie was able to develop his own special house list of repeat, preferred customers. His third list, then, was even more effective. ■

To order reprints of this article, see page 73.



# Pakistan





# Oasis Of Opportunity



**A**gainst the horizon a farmer plods through a field behind his ox. It is a scene as old as time. Yet draw closer and you see dangling from one of the bullock's horns a transistor radio tuned to a British Broadcasting Corporation news program. Old and new Pakistan unite in one vignette.

Pakistan is a land of stark contrasts. With a per capita income of scarcely more than \$330 annually, it is a poor country. When it was given independence in 1947, it was an almost totally agricultural nation. Its provinces historically produced raw materials for factories in what is now India and in Great Britain. Farming methods were little advanced from those practiced in the Indus River Basin at the beginning of agrarian history.

Since its independence it has become an industrial power whose yearly growth rate has for more than a decade outstripped that of the United States, Japan, West Germany and India.

Pakistanis are an energetic, ingenious people who are determined to translate their hopes into economic success. Under the leadership of President Mohammad Zia ul-Haq, Pakistan is forging new demo-

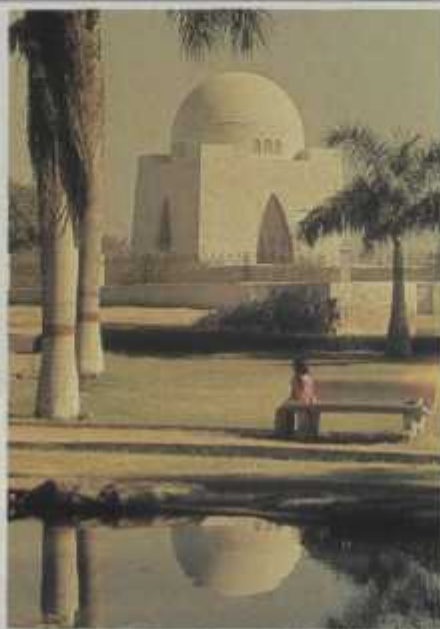


PHOTO: EMBASSY OF PAKISTAN

*Pakistanis are steadily realizing the economic goals of founding father Mohammed Ali Jinnah, who is buried in this tomb in Karachi.*

cratic institutions to accompany an evolving free enterprise system. There is renewed excitement and optimism in the air. Last year, Zia ended martial law and turned much of his power over to a parliamentary regime. He is deregulating Pakistan's economy and prodding the government toward marketplace policies that Pakistanis are convinced must guide their future.

Pakistan is becoming a highly attractive place for foreign investors—particularly Americans, says M.R. Khan, chairman of the Pakistan Banking Council, which oversees financial practices. Khan observes that Americans and Pakistanis, both former British subjects, have shared language, cultural and institutional heritages. He says also that Pakistan can become a commercial bridge for American entrepreneurs seeking markets in other Moslem countries.

"Someone from a neighboring country said to me recently that Pakistan is pro-West," Khan says. "I'm not ashamed to be pro-West. I'm proud of it. Frankly speaking, we think like the West." In fact, he continues, much of Pakistan's native commitment to trading lies in the fact that

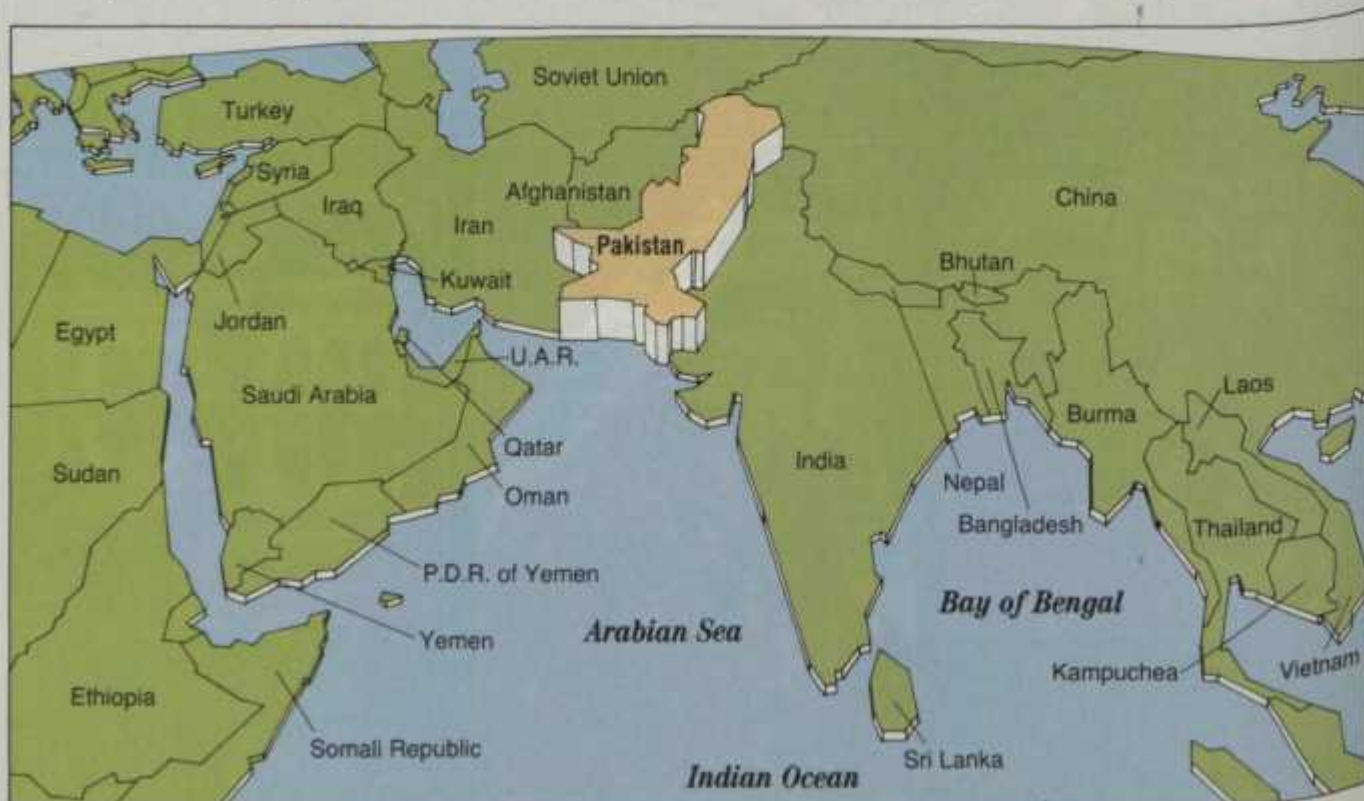


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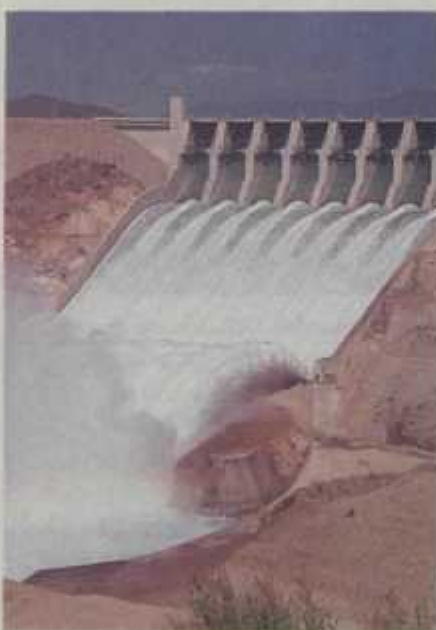
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## PAKISTAN

*Despite soaring population growth, Pakistan feeds its people and has food left for export. Its waterpower helps fuel a large textile-making sector. New industry is welcome.*



PHOTOS: EMBASSY OF PAKISTAN

the Islamic religion embraces capitalism.

Commerce Minister Moiyuddin Baluch says: "You must remember that Mohammed was a trader before he became the Prophet." Baluch is proud of Pakistan's impressive growth record. "In 20 years our population doubled. But at the same time we fed ourselves and had enough wheat, sugar, rice, cotton and fish left over to export. And that was without advanced technology. Some neighbors of ours are still importing half the food they need. This shows our dynamism."

Pakistanis, Baluch stresses, channel their energy into an aggressive work ethic. They are devout Moslems but show tolerance for other beliefs. Many Pakistani women wear veils in public, but, he says, that does not mean Pakistanis discriminate against Western women when conducting business with them.

**W**estern investors are treated with suspicion in some developing countries, but Pakistanis appear eager for American partnerships and investments that will bring them needed technology and capital. Planning and Development Minister Mahbub ul-Haq says Pakistan is confident it can attract investment that is not exploitive. His country offers cheap, able labor and abundant natural resources that are appealing enough to stimulate business relationships that will provide jobs and know-how to Pakistanis and good profits for foreigners. "Thirty to 40 percent annual profits are normal in Pakistan," he says.

Addressing a group of American business people recently, President Zia conceded, "I am not asserting that Pakistan is a heaven for foreign investment, but some conditions can be created, and others already exist, that merit consideration by you."

"We have a core of productive labor, readily on tap. These workers have developed considerable skills. They are hard-working, reliable, efficient and willing to work for relatively low wages. We also have experienced managerial and technical personnel who will be available to you for salaries substantially below those paid to expatriate executives."

Also, Zia observed, "We have assiduously cultivated relations with our neighboring Moslem countries. With a combination of your enterprise and our goodwill, we should be able to make successful inroads in these newly emergent markets. Our businessmen are thrifty, enterprising and experienced in local matters. They are eager to collaborate with you on joint ventures. The various options include technical collaboration, financial participation,



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
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## PAKISTAN



*In Faisalabad and other urban areas Pakistanis are carrying commerce into the modern era with the same spirit of mercantilism practiced for millennia.*

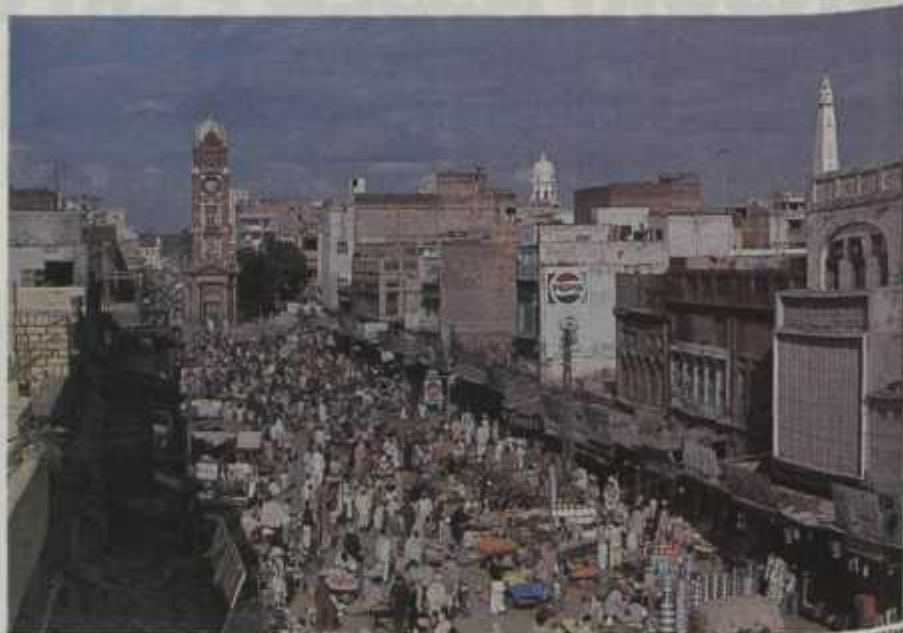


PHOTO: EMBASSY OF PAKISTAN

market sharing and buy-back contracts."

And, importantly, Zia assured the potential investors: "We provide guarantees for the safety of your investments. These are delineated in the Foreign Private Investment Act of 1976."

Pakistan, Zia said, asks only that foreign investors be good corporate citizens. "Your participation, directly and in joint ventures, should ensure the transfer of technology, contribute to actual manufacturing—rather than simple assembly operations—lead to discovery, mobilization and better utilization of national resources, help develop capital intensive and high tech industries, increase exports and promote employment."

That is not such a tall order, says Hasan Kazmi, president of Exxon Chemicals, Ltd., of Pakistan. Exxon is one of America's biggest success stories in Pakistan. It has shared technology with its host country, become an integral part of the chemical sector of Pakistan and at the same time earned healthy profits using an all-Pakistani work force.

"Our ammonia plant, which is in a remote location, was rated among the top six Exxon plants in the world in efficiency," says Kazmi. "That illustrates the point that in spite of difficulties of transportation on some bad roads from a remote area and bureaucratic hassles and the long length of time it takes to import some of what we need to produce, we still produce efficiently and make a good profit."

"Pakistani labor is second to none in the world," says Habibullah Khattak,

chairman of General Tyre & Rubber Company of Pakistan, Ltd.

Says Rudi Gebert, vice president and manager of Bank of America in Karachi: "All foreign companies here are doing well and are continuing to invest and see new opportunities."

Gebert says the expatriate community in Pakistan is also treated hospitably, even deferentially. There is no cultural isolation, Gebert says. In fact, he says, Pakistanis are a very gracious and social people who invite foreigners into their homes and generally make them feel comfortable.

A recent glance at stock quotations affirms the confidence Pakistanis have in foreign firms whose stocks are traded in Pakistan. J.R. Rahim, a Pakistani businessman who retired recently as chairman of Britain's Imperial Chemical Industries, says it is not unusual to see foreign firms listed on the Karachi Stock Exchange at 500 or 600 percent of their par value, and that is after splitting many times.

When Rahim was at the helm, ICI represented the largest single foreign investment in Pakistan. He advises newcomers to the market: "Bring in a technology we don't have, then the government will throw open its doors and everyone will queue up to be your partner."

Forming a trusting relationship with Pakistanis, says Rahim, is essential. That means first finding the right manager or investment partner. Choosing carelessly could spell disaster. Rahim recommends that investors ask their home banks to get their corresponding banks in Pakistan to research a candidate's credit standing and business reputation. It will also help,





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**P A K I S T A N**



he says, to hire a law firm in Pakistan and seek advice from accounting firms.

The American Business Council of Pakistan, a chamber of commerce-style group of U.S. firms operating in Pakistan, is also an excellent place to visit for advice. It includes companies like IBM, Pfizer, Exxon Chemicals and Bank of America—companies that know the ropes. (The address is: American Business Council of Pakistan, Shaheen Complex, M.R. Kayani Road, GPO Box 1322, Karachi 0111, Pakistan. Telex: 25620 CHASE PK. Telephone: 526436.)

Exporting to Pakistan may be a way for a firm to gain experience that may lead to investment. There are plenty of capable local agents who can market your wares, says Rafiq Habib, a successful Pakistani entrepreneur whose varied manufacturing and trading companies grossed more than \$250 million in sales last year. Habib has foreign partners in a number of his ventures and knows much about their frustrations and successes. "So many U.S. companies come here and see they need 26 permits, then just get on the next plane

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and go home. That's a mistake. There is a big market here. You can discover it best with a partner."

Deane Hinton, the U.S. ambassador to Pakistan, spends a lot of time advising Americans on Pakistani investments. He says, "To be successful here, American business must be aggressive, shrewd, understanding and, in particular, patient."

He adds: "U.S. goods and services enjoy a high degree of consumer preference both in the public and private sectors here. And, as the dollar is now depreciating against the currencies of Pakistan's other major trading partners, the U.S. could become Pakistan's biggest supplier next year," displacing Japan.

"A good way for U.S. firms to improve their market share here," advises Hinton, "is by considering local private investment, licensing or joint ventures that take advantage of numerous privileges offered to Pakistan's own traders and manufacturers. These local advantages include tax holidays and duty-free imports of plant, equipment and raw materials in special economic zones and unrestricted repatriation of capital and profits."

"Pakistan is, in short, a large and potentially fast track for aggressive American business."

**A** recent U.S. Commerce Department analysis of Pakistan's economy affirms Hinton's optimism.

"Based on near-record growth in agriculture as well as a sharp upturn in industrial production, gross domestic product in Pakistan expanded by 8.4 percent last year," the report says.

It further says that "Pakistan is in the process of rebuilding democratic institutions" and reports that "freely elected representatives of the people meeting in federal and provincial assemblies are now actively participating in the formulation of government policies."

"Pakistan's capable private sector appears increasingly confident about prospects for future political stability," the report says. "The government has taken some initial steps to free the private sector from some of the regulatory controls which have impeded its efficiency and potential."

Pakistan's most promising sector is agriculture-related. The country has been a self-sustaining agrarian society for at least 5,000 years. With enhanced technology, most observers believe, it could become a significant food and fiber producer for markets throughout the Middle East and the Far East.

Jamil Nishtar, chairman of the Agricultural Development Bank of Pakistan, is

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## P A K I S T A N



one of the country's leading prophets of agribusiness prosperity.

"The only missing ingredient," says Nishtar, "is technology. By technology I mean the entire gamut of mechanical technologies such as farm machinery, chemical technologies like fertilizer and pesticides and biological technologies such as high-quality seeds.

"There is," Nishtar contends, "a major potential for economic cooperation between Pakistan and the United States." He says Pakistan's future agricultural development must proceed along free enterprise lines.

"Modern input-providing industry such as agricultural implements manufacturers, fertilizer manufacturers, pesticides manufacturers and seed merchants give a push towards modernization when the farming sector undertakes marketing its products," he explains. "Modern processing industry such as dairy plants and food processing plants act as the pull factor towards modernization."

Specifically, Nishtar maintains that since Pakistan's agriculture is organized around small farms, the best approach is

a "satellite farming system," one in which many small farms pool resources to buy inputs in mass, then pool resources in mass to market products.

Nishtar says, "The government has already created a very favorable policy environment both by giving high priority to agribusiness and by having very liberal provisions for joint ventures."

**F**oreign investors are typically attracted to countries that provide sizable domestic markets and are potential bases from which to launch export campaigns. Pakistan offers both attractions: Its population exceeds 95 million. A large and growing segment of Pakistanis are able to afford a whole range of consumer goods. Its businesses are maturing and need much the West has to offer to enlarge operations and make them more productive.

Pakistan has a close political relationship with the largest market in the world: China. It is potentially a major supplier to India and other Middle Eastern nations.

It has long been a brain trust for the region. Well-trained Pakistani professionals

## Best Investment Opportunities

Investment opportunities in Pakistan abound, particularly in fields that take advantage of the country's agricultural wealth. The government offers a package of attractive financial inducements to investors in many of these fields. The Ministry of Industries says there are numerous unfilled market niches in Pakistan's fast-maturing economy and suggests the following:

- **Deep sea fisheries:** Modern technology and capital is welcome in the exploitation of Pakistan's immense offshore marine resources. Harvesting fish in volume and canning them for sale in Pakistan and for export would be profitable. This calls for processing facilities, packing plants, storage buildings and marketing skills.

- **Fruit, vegetable and meat processing:** Abundant harvests could be packed for export if the country had the proper facilities and know-how. The potential for a meat-packing and marketing industry also exists.

- **Agriculture mechanization:** Establishing agricultural machinery and implement making plants is a top government priority.

- **Textile machinery manufacturing:** Textiles is the biggest industrial sector, but Pakistan still relies heavily on imported machinery. Modernizing antiquated mills is also a top government goal.

- **Paper manufacturing:** The country relies almost exclusively on imported paper. Domestic demand is growing rapidly as business matures and the population grows more literate.

- **Electronics:** Most plants are only assembly factories. There is a need for manufacturing components and for a greater technology transfer.

- **Specialized batteries:** All used for trucks, railways, boats and heavy equipment are imported. There is a good market for locally made ones.

Other promising fields include: pipe-making, petrochemicals, tannery chemicals, powdered milk, citric acid, pesticides and insecticides, pharmaceuticals, fiberglass, sporting goods, solar energy, industrial alcohol, chrome-based industries, energy research, infrastructure activities like rail and road transportation, biotechnology and genetic engineering and metallurgy.



work in dozens of countries as engineers, technicians, doctors, teachers and in numerous other sophisticated capacities. It has the potential for being an exporter of services like banking, insurance, accounting and legal expertise. Joint arrangements with Western partners could pay off nicely, Pakistanis say.

Recently, Morgan Grenfell of London and Booz, Allen & Hamilton of New York joined with a group of Pakistani business people to offer a full range of accounting and managerial advice to businesses. The Karachi-based group is called Financial & Management Services, Ltd. It has identified a fast-developing market niche helping companies shape more effective business strategies and organize commercial projects of a complicated nature. It was formed under the sponsorship of the Pakistan Banking Council.

Pakistan's manufacturing potential is enormous, says Bashir Ahmad, chairman of the Industrial Development Bank of Pakistan. He says the government encourages foreign investors to go into downstream steel-based products as well as into chemicals and electronics. Ahmad, as a facilitator of foreign investment, says he welcomes inquiries and will make arrangements for foreign business people to meet financiers, and will introduce them to Pakistani businesses with which they may wish to co-produce.

One of Pakistan's biggest latent industries is tourism. Its geography is dramatic and varied. The country rises from the Arabian Sea, forms plains and deserts and plateaus and soars up some of the highest Himalayan peaks to "the roof of the world." It boasts some of the oldest archaeological finds in the world and some of the world's most exotic and beautiful architecture. Its people are notably friendly and are culturally interesting.

Pakistan International Airlines, a proud example of Pakistani efficiency and hospitality, is moving into the tourism promotion business and is experiencing early successes. It welcomes investments and know-how in the hotel, resort and marketing fields in its foreign partners, says Air Marshal M.A. Daudpota, PIA's managing director. PIA has already proven itself in high tech manufacturing, and it services the airlines of other countries.

"Pakistan has some of the highest peaks, the bluest lakes and the most peaceful valleys in the world. The basic ingredients of tourism are there. Colorful bazaars, exquisite handicrafts, fine food waiting to be discovered," says Daudpota. The Pakistan Tourism Development

Corporation, working in cooperation with PIA, has launched a number of tourism ventures and special tour packages that are appealing to Middle Eastern tourists and some from Europe and the Far East. Pakistan is already a trekkers' paradise. It is a stopover to and from many countries in Eurasia. With development, says Daudpota, Pakistan could experience a real tourism bonanza.

Pakistan is entering an economic take-

off phase that will soon propel it beyond its developing status. It has bountiful natural resources, excellent geographic proximity to many growing markets, a government climate favorable to free enterprise, a work force second to none in the region and common cultural and political ties with the United States. And, with a 5,000-year-old mercantile tradition, Pakistanis just might have a thing or two to teach Americans. **B**



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Advances and Investments	2,615,355,300
Total Assets	4,435,982,100

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## A Congenial Business Climate

Pakistan's business culture is a unique blend of Eastern and Western practices that is particularly suited to Americans — if they take the trouble to learn some of the rules of the game, says Yousuf Ahmed, general manager of IBM World Trade Corporation in Karachi.

As an active member of the American Business Council of Pakistan, Ahmed is keenly interested in making it easy for foreign investors to acclimate themselves to Pakistan. "Foreigners are very welcome in the business community and socially," says Ahmed. "Americans get a big welcome because they are seen here as a warm-hearted people. They have a privileged position. Americans seem genuinely interested in uplifting the life of the common man. Many of them work in idealistic fields."

Still, Ahmed says, the brash American will not be liked. Pakistanis are a refined, subtle people who appreciate nuance. The successful American business person will have mastered some of the details of Pakistani culture. The American will not, for example, complain about the fact that he cannot drink alcohol publicly in Pakistan, where Islamic law prohibits its consumption. He will respect and show some appreciation for religious customs, such as frequent prayers. Moslems pray five times a day. A Pakistani may sometimes excuse himself in the midst of a meeting to give prayers.

Americans will discover that English is commonly spoken and that the Pakistani with whom he deals is also likely to have been schooled in Charles Dickens and Mark Twain, providing a common cultural context.

Pakistan offers many of the tools of trade Americans are accustomed to using. It has direct international dialing, telex communications and courier services. It has a superb domestic airline regularly servicing many cities. Pakistan International Airline offers economy and first classes and provides good in-flight food service.

All major cities have five-star hotels with modern office facilities for the business traveler. Credit cards are accepted at most hotels.

Ground transportation is relatively inexpensive. Most hotels have rental car services. It is practical and affordable to rent a car and driver for business rounds, and



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## PAKISTAN

*Pakistanis speak English and do business like many in the West, but there are subtle differences in style that smart Americans will learn.*



PHOTO: EMBASSY OF PAKISTAN

chauffeurs connected with hotels usually know to reach obscure places.

There are other distinct differences in Pakistan's business culture, says Ahmed. For example:

- The workweek is Sunday through Thursday, with some offices open on Saturday.
- Pakistanis dress casually while conducting business. Their suits are worn with open collars, and a vest is often worn over a shirt instead of a coat. Westerners, however, are encouraged to dress as they normally would while conducting business—at least until they have established relationships with business contacts that permit them to wear casual clothing.
- There is no social taboo against smoking tobacco, but stay away from any form of drug use. The penalties for possessing illicit narcotics in Pakistan are severe, and thorough searches are made at the airport.
- In greeting Pakistani men, shake hands. Give a slight nod to women, but do not extend your hand unless the woman proffers hers.
- There is no custom of obligatory gift-giving in Pakistan when making a business call. If you invite a Pakistani to dine with you, expect to pay. If you are invited, do not fuss over the check. You are the Pakistani's guest. There are no bars or nightclubs in Pakistan. Nonetheless, you may be invited to dine at a businessman's club or at his home. In either case, it will likely be an enjoyable experience, as Pakistanis are most hospitable and enjoy entertaining.
- In making a sales presentation, you

may come directly to the point instead—as in some Asian cultures—of engaging in lengthy opening amenities. In seeking a firm decision, it is best to reach the highest-ranking official or executive. There is much less consensus-building involving committees of people, as is encountered farther East. If you reach the right person, a decision can be made quickly.

● Pakistanis are weak in marketing skills. They do not yet focus as much as Americans on developing product awareness through advertising. There is not yet much of a public relations industry in the country. If yours is a consumer product, you may need to work harder to convince your business partner of the need to invest in marketing.

● Pakistanis are not noted for great attention to detail. It is often assumed that someone lower down on the ladder will deal with the specifics of a deal. You should take careful notes of a meeting, then send memoranda of them to your client or partner and seek his agreement to the terms. In communicating, be clear and precise. When sending telexes or letters, do not scrimp on details to save space.

● Pakistanis have a well-developed sense of social justice. Projects that succeed well there are ones that display a good community spirit—for example, IBM's educational seminars.

For further information, contact the American Business Council of Pakistan. Address: Shaheen Complex, M.R. Kayani Road, GPO Box 1322, Karachi 0111, Pakistan. Telex: 25620 CHASE PK. Telephone: 526436. Its members will offer you encouragement and advice.



# Franchising

*The trends toward fast food and health food have come together to create a strong opportunity for specialty outlets.*

By Meg Whittemore

Eating on the run has all but replaced the traditional sit-down family meal for many Americans whose career demands and recreational pastimes consume an increasing portion of each day.

That is bad news for our digestive tracts, say nutritionists. But for franchisors of specialty foods, the faster Americans live, the larger the bottom line.

Case in point: The bottom line for Dalia Ratner is muffins. Over 200 flavors of homemade muffins, to be exact. Ratner owns All My Muffins, a nationally franchised shop specializing in homemade muffins in a variety of often exotic flavors. Operating from her two-year-old anchor shop in Beverly Hills, Calif., she caters to a clientele ranging from celebrities, like Lionel Richie, Warren Beatty and Suzanne Pleshette, to the local policeman.

The concept is a money-maker. There now are All My Muffins stores in Redondo Beach, Calif., Chicago and Manhattan. Ratner estimates that each of her store locations averages more than \$200,000 in annual sales. At the going rate of 85 cents per muffin, that works out to more than 19,608 dozen muffins.

Ratner says there is a reason why her product is so successful: practicality. "My stores and the baking formula for the muffins are idiot-proof," she says. "It is a very simplified organizational structure, and the muffin recipes are uncomplicated and uncompromising."

Back-to-basics cooking, good locations (upscale shopping malls, department stores, office buildings) and the relatively small investment requirement contribute to the almost instant success of specialty food franchises.

According to Stanley Bresler, chairman and president of Bresler's 33 Flavors, specialty foods present "an easy entry level into the franchising business." The start-up costs of an All My Muffins franchise are \$75,000 to \$140,000, depending on the store location. That is nowhere near the initial costs (up to \$400,000) required for a Burger King, McDonald's or Wendy's franchise.

Meg Whittemore is a Washington freelance writer.

*Dalia Ratner's All My Muffins is typical of the specialty food franchises. Her shops are in upscale locations like Beverly Hills and cater*

*to the nutrition-conscious who nevertheless do not want to sacrifice their sophisticated tastes.*



PHOTO: CHRIS BLICKER

Spurring the growth of specialty foods is the consumer trend toward healthier eating habits. For example, when Thomas Patin, president of the Nectary, decided to enter the food service industry in the late 1970s, the words "gourmet" and "health food" led him to a fast food concept that promised franchise potential and long-term growth possibilities. Based in Minneapolis, the Nectary currently has four

store locations with four more outlets to open by September. Expansion plans include 40 additional franchises sold by 1987, with market penetration in Phoenix, Los Angeles and Honolulu.

Patin says the eatery appeals to the nutrition- and diet-conscious consumer who does not want to sacrifice sophisticated tastes. "We provide an alternative to the standard hamburger, fried chicken or similar such foods available



## MANAGING YOUR BUSINESS

## Franchising

at most fast food chains," states Patin. Menu items include gourmet quality soups, salads, sandwiches and desserts, available on a ready-to-go basis.

Nectary restaurants carry an approximate \$110,000 price tag for start-up, although one company-owned franchise cost only \$35,000 to start. Patin quickly points out that once the initial costs are met, the stores are economical to operate.

Because no fried foods are served,

there is no need for expensive venting or related equipment, he says. The relatively low investment and operating costs, coupled with strong sales performance (typical annual revenues are \$250,000 to \$300,000 per unit) result in what Patin calls very handsome operating returns on investment.

**F**ranchisors of specialty foods say the opportunities in the field are limited only by the variety in consumer tastes and spending habits. That is in accordance with Commerce Department findings that the upscale customer is largely responsible for annual specialty food sales that are expected to top \$9.9 billion this year.

As specialty foods increasingly find a way into the daily American diet, entrepreneurs are moving quickly to satisfy every variety of dietary consumer whim. For John and Pat Larsen in Reno, Nev., that meant leaving prosperous jobs as an accountant and advertising executive, respectively, to buy a submarine sandwich shop. That was back in 1975, and today the couple run 10 Port-Of-Subs shops in Reno; eight

are company-owned, and two are franchised operations.

"We wanted to run our own business, to have the freedom to make a go of it," recalls Pat Larsen. "But we honestly didn't expect the overwhelming positive response from our customer base." Last year the Larsens' Port-Of-Subs tallied a neat \$1.5 million in sales, and this year they project \$2 million.

Port-Of-Subs offer 18 varieties of submarine sandwiches in three sizes, on white or whole wheat rolls. The dressing is oil and vinegar, and the fillings are the traditional deli meats and cheeses. Prices range from \$2 for a 5-inch sub to \$4.75 for the 12-inch variety.

The Larsens started franchising last November after months of research and years of requests for franchises from their customers. The cost for a Port-Of-Sub franchise ranges from \$48,000 to \$120,000 (including the franchise fee), depending on the store size and location. Says Pat Larsen: "We have low labor costs and good food costs; the business makes money. It's that simple."

**S**implicity and meeting a consumer trend is what triggered the success of The Country's Best Yogurt, Inc. Frank Hickingbotham, chairman and president of TCBY, first reacted to the thought of yogurt with a resounding "Yuck!" But, like half the nation, that was before he tasted the new frozen form of yogurt, which tastes nothing like the traditional, tart, custardy product. His disbelieving initial reaction led him to opening the first TCBY (then called This Can't Be Yogurt) in Little Rock, Ark., in 1981.

Today, says Gale Law, chief financial officer, a TCBY franchise opens every 29 hours. A typical TCBY store seats 24 to 44 customers and emphasizes the health aspects of the product through its butcher-block and wicker decor. Most stores are located in shopping malls or other high traffic areas.

Demographers contend that our eating patterns are taking on the form of eating less food more often. Some experts call this the "grazing phenomenon." For specialty food franchisors, such a trend points toward one thing: increased market demand and a continuing climb in profits.

According to a recent survey conducted by the Naisbitt Group, Washington, sales from this segment of fast food franchising will spiral upward to top \$15 billion by 1990. That is a lot of grazing. ■

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# Giving The Small Guys A Chance

By Harry Bacos

**T**he men and women who converge on Washington in August for the White House Conference on Small Business will be as varied a lot as the businesses they run.

Young and not so young, wily veterans and bright-eyed beginners, operators of start-up companies or third-generation enterprises, they have one thing in common. All 1,823 want a fair shake from government for America's small business entrepreneurs.

"These people are opinionated and determined to get things done," says Bill Trembly, 52, chairman of the New Mexico delegation. Trembly, president of a high tech electronic component sales company in Albuquerque, N.M., is one of the veterans. He attended the last White House conference, in 1980.

"That one was pretty successful," he says, "but I expect 1986 to be much more productive because it is better organized."

A personal tragedy started Trembly on his path to small business advocacy. When his first wife died of cancer, he says, "I thought I owned our company. But the IRS said I owed them \$70,000 in inheritance taxes." So he got himself elected to the 1980 conference and campaigned for an increase in the inheritance tax exemption.

Another issue that concerned him then was the difficulty a small business faces trying to compete with large businesses for government R&D contracts. Congress acted on that recommendation, too, with passage of the Business Innovation Act ensuring that a certain amount of government research work goes to small business.

Issues on the lists of most delegations include the federal deficit, the cost of liability insurance, federal paper work reduction and the availability of capital. But some delegates also have special projects on their minds. For example:

- William A. Stone, a Louisville, Ky., glass wholesaler, wants to privatize Social Security except for the needy.
- Karen K. Krebsbach, a Minot, N.D., truck dealer, is urging a one-time tax exemption on the rollover of family businesses or farms.
- Hope Eastman, a Kensington, Md., lawyer, would like to get the government's Standard Industrial Classifi-

*Marcia Bystrom, Midwest representative for sporting goods manufacturers, says reaching a*

*consensus will just be the start of the conference's business. Then comes the lobbying.*



PHOTO: STEVE WORT—PICTURE GROUP

cation codes overhauled to reflect the shrinkage of manufacturing and the growth of service businesses, the area where most women owners are to be found.

• Frank W. Fournier, of Hato Rey, P.R., who runs a health insurance company, believes education from kindergarten up should be changed. "We should not train people to become employees, as we do now, but train them to become independent," he says.

A delegate who knows a lot about government's view of small business is Pearl Lipner, 41, whose \$3-million-a-year tape and film editing company in Southfield, Mich., was started eight years ago. She served for several years on the staff of Sen. Carl Levin (D-Mich.).

"Most Congress members and their staffs have never run a small business," she says. "Big business has its own lobbyists to present a view of their needs, but we don't. Congress needs our input to show them the difference."

"For example, a person with two employees [she now has 15] has to fill out the same number of government forms

as the person with 2,000. A small business has to spend more for professional services. A big business can pay its in-house accountants \$30,000 a year, while we have to pay an independent accountant or lawyer the equivalent of \$70,000 or \$80,000 a year."

**C**harles E. Nolan, Jr., 56, is a third-generation architect with offices in Albuquerque and Alamogordo, N.M. His grandfather practiced architecture in Florida, and his father got his credentials working for him. Nolan himself worked in his father's firm in Lubbock, Tex., before going on his own in 1963 and specializing in schools and commercial buildings.

Now he has nine employees, but 11 years ago he was on the brink of ruin.

"In 1975 my firm had a severe financial collapse," he says. "It was in the midst of a national recession, and the work we had been doing dried up. I almost didn't make it."

"I looked everywhere for advice on how to save my business. I couldn't find anyone who could tell me what to do. I didn't want to file for bankruptcy."



## Delegates to the White House Small Business Conference have a wide variety of opinions, but one goal: a fair shake from government.

so I persuaded my creditors to give me some time, and I stepped up my marketing efforts. I picked up a couple of churches first and that kept me going, and I contacted school superintendents and university officials and developers, looking for any who were planning to expand or remodel.

"Then in 1977 I got a big contract for renovation of the state school for the deaf in Santa Fe. I'm 200 miles south of that place but because of my extensive experience in renovation of Alamogordo schools, I felt I was qualified to compete with bigger firms for the contract, and I got it."

**H**is narrow escape from disaster sharpened Nolan's awareness of the special needs of small business. He served on the Alamogordo chamber of commerce and was its president for several years.

One of his prime concerns is government competition with private business. He says the Army Corps of Engineers, for example, has chosen to do the designs for many projects in-house rather than put them out for bids to private industry, "even though their in-house people are not always qualified for those jobs."

Nolan also is concerned with lack of equal opportunity in minority contracting. He says government set-aside programs for minority contractors do not provide adequate training. As a result, he says, he has seen more than one minority firm get a contract and then go broke because it lacked necessary management skills.

"We need a program to provide management expertise to minority construction firms," he says. "Management means monitoring and controlling labor output and dealing effectively with suppliers."

A breakdown of delegates to the White House conference shows 82 percent are white, 13 percent black, 2 percent Hispanic, 1 percent Asian and 1 percent "other." Thirty-eight percent are sole owners, 15 percent are partners and 47 percent are officers of their companies. Men make up 64 percent of the delegates and women 36 percent.

Nat Jackson, 42, president of CompuPhone Business Systems, Olympia, Wash., is another delegate who knows

*Charles E. Nolan, Jr., Albuquerque, N.M., architect, wants to see action limiting government competition.*

*with private business and aiding minority contractors.*

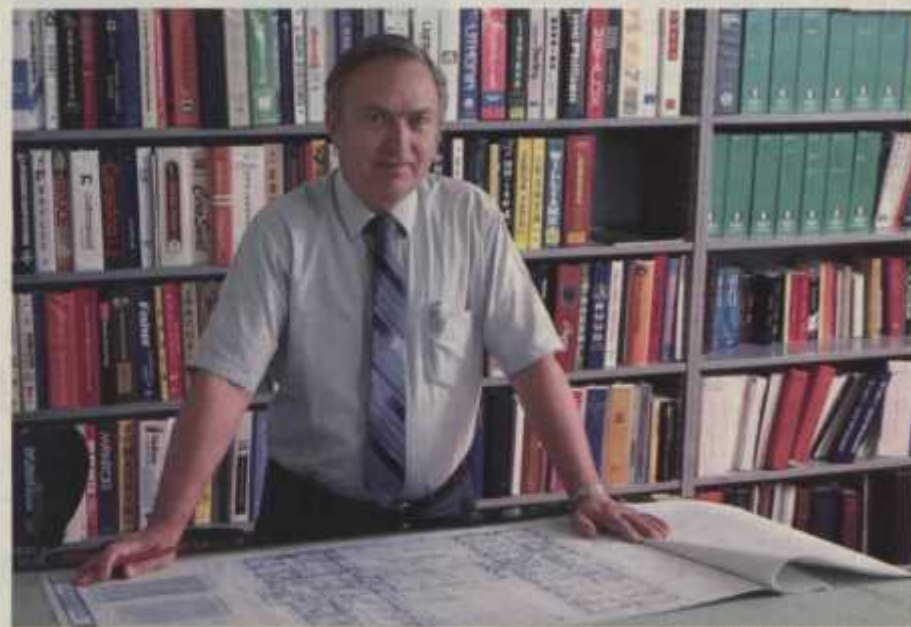


PHOTO: GREG SOMMER-BLACK STAR

a lot about government. He spent four years as special assistant to Washington Gov. Daniel J. Evans before starting his company "three hours and 17 minutes after leaving the governor's office" in 1977.

"Actually," he says, "I've been in business since I was a kid. My original motivation was that I got fired loading hay because I was too small." That was back in "separate-but-equal" rural Louisiana, where Jackson, a black, grew up. "So I got a pair of clippers and started cutting hair, and I put the guy who had been the town barber out of business."

Jackson moved to the Northwest when his wife was recruited to work for the Battelle Memorial Institute on nuclear research at the Hanford Project. He found a job as loan officer in a redevelopment cooperative, then as an economic development consultant before moving to the governor's staff.

When the White House conference was announced, he went to the state organizing meeting in Seattle, helped form a black caucus and got himself elected as a delegate.

"I hope to give it more than I get out of it," he says. "The main thing is to get the message across on what's happening to small business."

"We want to present issues that are important in the State of Washington. They include liability insurance, a lessened burden on business start-ups, minority participation in government procurement, reduction of federal paper work and cabinet status for the Small Business Administration."

"We're not neophytes. We know our effect won't just be in Washington. A significant portion of what's accomplished will be in the process itself and the effect it will have on state legislatures and governors' offices."

While he is away, his wife will stay home to care for their two younger children. Their eldest is away at college.

**T**he baby-sitting duties will be reversed for Mary Brennan, 33, of East Greenwich, R.I. When Brennan comes to Washington, her husband will care for their four children, including the baby born March 29. Brennan is president of their three-



## Giving The Small Guys A Chance

year-old company, Reif Communications, which manufactures multiplexers and other high tech data communications equipment. Her husband is chairman of the firm, which has eight employees.

Brennan is a musician with a degree in orchestral conducting. Her husband is an electrical engineer. She got into the business on the software side, working her way up from programming to project management to consultancy. Her husband got in through sales and marketing.

A prime concern for the White House conference will be "a tax package that is friendly to small business," Brennan says. She says she also hopes Congress and the administration will do something about insurance and its effect on the cost of doing business, "because we're all dying out here."

She also is concerned about maintaining government innovation grants for small business research and the protection of intellectual property for high tech concerns like hers.

But she doesn't think the conference should draw up legislative proposals that are too specific. "We should present more general ideas that Congress can chew on," she says, "and we have to keep down our squabbling or ground fighting."

In contrast to Mary Brennan and her start-up firm, Walton Gresham, 36, runs a business his grandfather founded 60 years ago. He is general manager of Gresham Petroleum Company in Indianola, Miss., a gasoline, oil and diesel jobber which is one of seven family-owned corporations that also operate convenience and other stores with annual sales totaling more than \$25 million.

Gresham thinks one answer to the problem of limited and costly liability insurance is to "limit punitive damages and lawyers' fees."

As for the federal deficit, "our government is just too big," he says. "We can shave \$150 billion off the budget, and we won't notice it."

As for farm problems, "We need a comprehensive agriculture plan, including some kind of marketing to Europe and South America, not just subsidies to our farmers to keep them from planting."

Gresham says he hopes the conference will get some action from Congress because the delegates "are a bunch of hardworking folks that mean business, and we're not coming up

## THE NATION'S BUSINESS

*Nat Jackson, of Olympia, Wash., a former state government official as well as businessman, knows state actions are also important to small business.*



PHOTO: DOUG WILSON—BLACK STAR

there just to make a lot of recommendations for them to pitty-pat around with."

He says that his father "was a delegate in 1980, and he tells me it was a sight to behold. We'll see. I'm not a politician. I'll just shoot straight and hope they'll shoot straight with me."

Marcia Bystrom, 41, is still another delegate who had a taste of government service. She decided she liked business better.

She used to manage her father's machine shop in Minneapolis, a big operation with 120 employees. Then in 1980 she was appointed by President Carter as associate administrator of the Small Business Administration and the next year was reappointed by President Reagan.

"But I decided Washington was a phony baloney town and there was no place for me to go," she says.

Back in Minnesota she joined a group of people trying to raise money to build a corn-processing mill. When that didn't work out, she formed her own manufacturers' representative company, Action Associates, in Bloomington. She represents several sporting goods lines in Wisconsin, Minnesota, the Dakotas and Iowa.

"To get started, I just kept calling and writing manufacturers, especially the smaller ones who don't have their own distribution system," she explains. Until recently she was on the road six days a week, showing samples and writing orders. It is a commission business. "You wait six months to get paid," Bystrom says. "You get paid

when and if the dealer pays. The first year I went \$12,000 in debt."

A year ago Bystrom merged with another representative, and now her partner does most of the road work. She also started selling securities on commission for a brokerage firm.

Bystrom has been active in local and state chambers of commerce for seven years. She believes the big goal of delegates to the Washington conference should be unity.

"No matter what list of 15 recommendations you come to town with, it won't mean a thing if the group is not unified," she says. "We have to work out some kind of consensus. And that just begins the real process, which is lobbying Congress and the President."

One of the older delegates is Lewis Kranick, 71, of Milwaukee, president of Krاندex Corporation, a company he describes as "a mini-conglomerate."

Kranick started in business in the late 1930s with two other young men; each agreed to put aside \$5 a month to form an investment pool. They were in the midst of negotiations to buy a farm machinery company when the owner died. His family paid them \$5,000 to quit their claim. With the money the men bought a broken-down machine shop full of hydraulic equipment.

"We built up the hydraulic business," Kranick says. "Then we sold it and bought others." That has been his pattern ever since—buying decrepit businesses, putting them on their feet and selling them.

Kranick says the delegates to the White House conference represent a great national resource.

"These people all have pretty good hands-on experience about what it takes to run a business and make it successful," he says. "We want to communicate that experience to the government in order for it to nurture the entrepreneurial atmosphere that makes small businesses possible."

"We have to get the attention of government so they will accommodate the people who are trying to start small ventures all over America, because these are the businesses that are going to provide most new jobs."

Kranick sees the conference's role as opening doors for a new generation. "The next decade will be very important to this country," he says. "We want to let the new guys have a crack at starting and running businesses the way we did." ■



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# Nerves Of Steel

By Joseph J. Innace

**S**hrinking markets, global competition and problems with oversupply make operating an American steel mill these days a risky business. Constructing and starting up a new domestic mill is even more daring—bordering on the insane, say some steel industry observers.

But the Quanex Corporation, a Houston-based steelmaker and fabricator, does not agree. In March, 1985, far from America's rust bowl (the Pittsburgh, Chicago, Cleveland triangle), it opened a little steel mill that blends an impressive array of modern steelmaking equipment with unorthodox management approaches. The mill's rate of production has taken the steel industry by surprise.

"I have seen the future of steelmaking, and it is found in Fort Smith, Arkansas," says one major steel buyer.

Quanex's primary steelmaking arm, the Quanex Bar Group, opened the \$100 million mill at a time when many other steel mills were shutting down. The Quanex Bar Group's MacSteel Division, which includes the 280,000-ton-per-year Fort Smith facility, supplies more trackshoe steel for tanks and armored personnel carriers than any other U.S. producer.

Defense is a key market for the plant. Its bread and butter is high-quality, special-alloyed steel bars manufactured in over 200 different grades for construction, aircraft and forging applications.

But the terrain for this type of steel product is a rough one. Bigger producers like LTV Steel in Cleveland, US Steel in Pittsburgh and Inland Steel in Chicago either idled or permanently closed bar mills in the Great Lakes area last year because of poor business conditions. The leaders now vying for special steel-bar market shares are Quanex; Bethlehem Steel in Bethlehem, Pa.; Copperweld Corporation in Pittsburgh; the Timken Company in Canton, Ohio; and exporters from countries including Japan, West Germany, Canada and Brazil.

Though the steel-bar business is tough, Quanex officials point out that

*Management and labor are equally responsible for the success of the Quanex Group's Fort Smith steel plant. Even hard hats, commonly color-coded to designate rank,*

*are uniform. Plant Manager Paul Dimitry (left) and rolling mill operator Mike Doss both use the white hats worn by everyone at Fort Smith.*



PHOTO: J. MICHAEL KEZA

the company's Bar Group is profitable and accounts for over 60 percent of total revenue. Although Quanex sources do not break down for public information financial records of individual plants, the upstart steel mill certainly helped push up overall revenues last year.

"The Arkansas plant in its first year resulted in an estimated \$35 million sales gain for the corporation during the second half of 1985," says steel industry analyst John Tumazos, a senior vice president of Oppenheimer & Company, the brokerage house.

In a short time, the Fort Smith mill has become a model child for its parent company. It is already proving that it has the productivity edge necessary to compete in the steel marketplace. Just 2.5 worker-hours are needed to produce and ship a ton of steel. The domestic steel industry average is 5.8 worker-hours. Such a productivity upper hand is due largely to the fact that the Fort Smith plant uses less labor and heavy equipment than bigger domestic mills.

The plant recycles steel. Leaner than the country's larger integrated mills,

which need coke ovens and massive furnaces to turn raw ore into steel, Fort Smith uses smaller, more efficient electric furnaces that melt scrap steel into new refined steel. The plant does not have the coke ovens, the blast furnaces and all the workers this equipment requires at the sprawling mills of big producers.

Its profitable approach to steelmaking is matched by its innovative approach to its staff and business procedures.

Unlike most other American steel mills, Fort Smith has no guards at the gate, no parking spaces marked reserved for management, no time clocks to punch, no different-colored hard hats to designate rank, the industry's age-old way of distinguishing blue-collar workers from their management supervisors.

Also unlike most other U.S. mills, there is no product inventory on the premises. Each and every ladle of molten steel is tailor-made to customer specifications. If there is no order, there is no production.

Joseph J. Innace is a New York-based writer specializing in the steel industry.



*Just when the nation's established steelmakers are cutting production, a new mill sprouts in Arkansas—and thrives on inexperienced labor.*

*The plant's success stems largely from recycling steel and processing only to order—and every bar of Fort Smith steel comes with a guarantee that the*

*customer will not have to recondition it to make it usable. One result: a very low defect rate. Another: While steel factories throughout the East are*

*suffering hard times, Fort Smith provides employment for 235 steelworkers.*



And each bar comes with a customer guarantee, a rare pledge in the steel-making circuit. Steel buyers must often recondition mill-delivered bars in order to make the material suitable for subsequent machining into final products such as camshafts, bearings, mortar shells or automotive wheel hubs. Reconditioning, which means additional costs to the purchasers, can involve shaving or shearing a bent edge or smoothing a rough surface. If a buyer has to recondition a Fort Smith bar, he doesn't have to pay for it.

Behind Fort Smith's no-reconditioning promise is an employee incentive plan based on the number of quality tons shipped. Success shows up on paychecks. The more quality tons made for customers, the greater the employees' bonus, which is equally distributed among all production crews every month. But if any material is rejected by customers, that amount is deducted from the following month's production total.

"This way everybody knows that superior quality benefits them personally," says Robert V. Kelly, Quanex Bar

Group president. Customer rejects are running at one tenth of 1 percent. At most other mills, a 2 percent reject rate is considered good.

**T**he plant counts approximately 25 supervisors who had prior steel-making experience. The balance of the 235-member work force had never seen the inside of a steel mill before joining Fort Smith. Perhaps more important to them, they had seldom—if ever—seen the amounts of the paychecks now coming their way.

An average worker at Fort Smith can make \$30,000 annually; the average annual salary in Arkansas is below \$15,000.

There is little question that work force inexperience benefited the company's efforts to establish a nonunion, all salaried shop. That status means the Arkansas steelmaker's labor-cost component is well below the steel industry's average of 30 percent of total production costs.

Secrets are few and far between at Fort Smith. And there is strong emphasis on accountability by all employees.

Management's offices are located right in the middle of the mill, on the same level and within earshot of where the molten steel is cast. "That's because such a setup forces the team concept and fosters involvement," Kelly explains. At almost all other American mills, supervisory offices are located in separate buildings entirely, far removed from production.

"Anyone can get to any spot in the mill in less than two minutes," says General Manager Ron Miller. "That gives you speedy access to both the equipment and all of the work force."

Adds Plant Manager Paul Dimitry: "You have to go through the mill to get to your office in the morning and when you leave at night. There's no place to hide."

In a nutshell, Fort Smith is managed by wearing out boot leather. "You're not involved if you stay behind a desk," Kelly says. "You've got to be in the mill sharing ideas with the workers and showing customers what sets you apart from everyone else. You've got to get involved up to your eyeballs. Otherwise, you're not fooling anybody." ■



# To Your Health

By Richard J. Chapel

**T**he stress of modern living shows up in our growing problems with hypertension, heart disease—and poor vision. Yes, poor vision. The consensus of eye professionals today is that eyesight, once viewed as the unfortunate mandate of your genetic inheritance, is a combination of hereditary and environmental factors—with the emphasis on the latter.

Few people in the People's Republic of China wear glasses. One explanation: Eye massage exercises are done twice a day in virtually every school in China and many factories as well.

Contrast that with America. Although only 2 or 3 percent of our population is born with defective vision, half of us eventually wear corrective lenses, and many more live on with undetected vision problems.

Dr. Joel Zaba, a Norfolk, Va., optometrist and consultant to the American Optometric Association's communication division, says that the visual strain involved in the learning process takes a toll on vision. "Doing a lot of reading and close-up work puts much stress on your visual system," he says. "Many vision problems stem from this. The average eyeglass prescription is designed for helping you see clearly. But the clinical experience of optometrists throughout the country has shown that people can successfully reduce eye strain and prevent certain vision problems by undergoing visual therapy that alleviates eye stress."

Although a highly individual matter, many vision problems resulting from the strain of prolonged eye concentration often can be treated through stress-reliever lenses used for close-up work, optometrists say. In many cases, eye problems due to strain can be improved through eye exercises prescribed by optometrists. The exercises are usually conducted in the optometrist's office but often can be practiced at home. This is vision therapy.

Steven Protomax, a physicist, runs an enterprise he calls the American Vision Therapy Association—no connection with the American Optometric Association, which has 24,000 members—that spurs the use of alternative meth-

*In this exercise, designed to improve coordination, the eyes follow the line from dot to dot in time with recorded music.*



PHOTO: AMERICAN VISION THERAPY ASSOCIATION

ods of tackling vision problems. Protomax says that eyes, like the body, need exercise and conditioning.

He brought together a team of vision experts to produce an eye stress reduction kit. An instruction book explains eye exercise theory and contains pattern charts for 15 exercises. Exercises are practiced in time to music recorded on a cassette included in the kit. Protomax says some of the profits from the \$24.95 kit help fund optometric research.

Says Protomax: "The eye was meant for quite gradual movements, yet the demands of today's lifestyles put tremendous demands on our whole vision system. There is direct stress on the lens as well as the visual cortex in the brain where images are interpreted. The result is fatigue—a reduction in the capacity to focus—which, of course, our eyes attempt to correct. It's a vicious circle."

His exercises improve eye coordination and focus, Protomax claims, helping relieve results of eye strain like headaches and tension. But he says they are not a home remedy for vision

*Do you think you are condemned to ever-poorer eyesight? Eye exercise may help, say experts.*

disorders that warrant optometrists' professional attention.

Stephen Brooks, president of the Electronic Mailbox, a computer services company in Nashua, N.H., says he long experienced visual stress on the job. "I was having severe eye strain, but didn't know what to do about it," says Brooks, who wears corrective lenses. When he saw the American Vision Therapy Association's stress reduction kit described in a newspaper article, he thought he would give it a try. "I don't know about getting rid of my glasses," he says, "But these exercises helped me eliminate the eye strain problem."

Dr. Merrill Allen, an Indiana University professor of optometry who contributed to Protomax's eye stress reduction kit, suggests taking frequent coffee breaks for your eyes while at work. He prescribes a relaxation exercise that he calls "thumb pursuits" for executives who spend extended periods focusing at close range.

During your vision coffee break, put a dot of ink or tape on your thumbs to use as focus targets. Extend your arms at shoulder height to the limits of your peripheral vision. With or without glasses, look quickly from your left thumb to your right thumb 10 times. Then extend your arms directly in front of you, positioning one thumb about 18 inches above the other. Focus quickly from one thumb to the other 10 times. Place thumbs about 18 inches apart at the 10 o'clock and 5 o'clock positions and repeat the process.

"Changing the pattern of eye movements from looking from word to word on a page all day long to large movements of the eyes improves circulation," says Allen. "After executing large movements, it becomes easier to look at small detail. It also helps you relax, and it's refreshing."

**F**or more information about vision therapy, write to the Optometric Extension Program Foundation, Inc., 2912 South Daimler Street, Santa Ana, Calif. 92705 or the College of Optometrists in Vision Development, P.O. Box 285, Chula Vista, Calif. 92012. For more information about Protomax's exercises, write to the American Vision Therapy Association, 1834 Main Street, Watsonville, Calif. 95076. **NE**

Richard J. Chapel is a Worcester, Mass., free-lance writer.



# Making It

*An investments manager on the fast track; an easier way to harvest shrimp; success from efficient repairs.*

## A Quick Study In Investment Terrain

At a time when most 28-year-olds are trying to figure out how to retire their student loans, John W. Rogers, Jr., has already snared two \$10 million clients. "It feels good," he says.

Rogers is president and chairman of Ariel Capital Management, Inc., a fast-growing, Chicago-based investment management firm that currently manages about \$43 million for public and private clients across the country. It has recently expanded to six employees and moved to more spacious offices in downtown Chicago.

After earning an economics degree at Princeton in 1980 and prepping for a couple of years at William Blair & Co., an investment banking firm in Chicago, Rogers felt he was ready to call the shots at his own company.

So he borrowed some money to start Ariel in 1982. Named for the Ariel gazelle, which is known for its "small size, quickness and ability to survive in difficult climates and terrain," the company has carved out an enviable niche in a field where most successful owners are usually in their 50s, 60s or beyond.

Rogers is the son of two lawyers, Jewel Lafontant, a partner in a major Chicago law firm and member of the U.S. Chamber board of directors (and a Republican), and Chicago Circuit Judge John W. Rogers (a Democrat).

His client list includes Atlanta University, Strohs, Coors, Wayne State University Endowment, Leo Burnette Johnson Publishing, Consolidated Foods Foundation and—a recent addition—the Dart Kraft Foundation. Much of Ariel's growth stems from garnering bigger accounts and more responsibility from existing clients.

"With Howard University we started out managing \$100,000," Rogers says. "That has jumped to \$1.9 million in about two years."

Rogers traces his success to Ariel's care in research and marketing—and its patience.

He says: "We do two things very well. On the performance side we have beaten the market seven of the 10 quar-

Chicago investment manager John W. Rogers, Jr., named his company Ariel, after a gazelle known for its quickness and ability to survive in

difficult terrain. So far, the description has been accurate.



PHOTO: RICHARD BERN

ters we have been in business. That means our research product is good; we have consistently found good companies to invest in.

"I am also proud of our marketing. Performance and marketing are the two keys that make a business successful."

Ariel has become adept at investing in relatively unknown small and medium-sized businesses and staying with them.

His newsletter's title, *The Patient Investor*, derives from Rogers' philosophy that slow and steady wins the race. "We try to buy low expectation stocks, so if we are wrong, and the good news doesn't happen, we don't get hurt as badly."

As Rogers becomes better known, it may be harder for him to keep his undiscovered companies a secret.

"But that's at least 15 years away for me. Even if your advice pushes the stock up a modest percentage, if you are holding it for a long time it still won't affect the price or value very much."

Rogers wants to get to the \$100 mil-

lion fund management level soon.

"When you are only at \$40-\$50 million, if you get caught in a bear market and lose a couple of major clients, your business could be in trouble. It's hard to sleep in that situation."

And what about those twin \$10 million accounts?

The first is with the State of Florida, which has already turned over \$5 million for Ariel to handle. The second is with the Illinois State Board of Investments. Ariel has received \$2.5 million to manage and is slated to get the \$7.5 million remainder over a three-year period.

And a major joint venture is in the offing, a coup even within a company that has experienced so much success in such a short time.

This fall, Ariel will begin managing the public mutual fund portfolio of a major East Coast firm. Ariel will become the first black-owned investment firm ever to manage a major public mutual fund.

Ariel, following its investment strategy, is in the race for the long haul.

—Walter M. Perkins



## Making It

## Big On Shrimp Farming

Balsa wood and shrimp do not appear to have anything in common, but Henri-Armand Kohn made the connection. Kohn is vice president of operations for the Baltek Corporation in Northvale, N.J., one of the largest importers of balsa in the United States. But in the past three years, Kohn and Baltek have become actively involved in the shrimp farming business. As a result, Baltek's net earnings went from \$1.5 million in 1984 to \$1.8 million in 1985. This year the shrimp operation alone is expected to bring in \$3 million.

Baltek gets its balsa from Ecuador, along with Mexico a top exporter of shrimp to the United States. "Shrimp farming became a growing industry there about 10 years ago," says Kohn, whose grandfather started the balsa business during the 1930s. "I had a friend who wanted us to get into the business. I looked it over but forgot about it. Then, three years ago, we were looking for a chance to invest in something new, so we began to study the shrimp farming idea again."

And study he did. "I read more things about shrimp, talked to more people," says Kohn, whose New Jersey office is filled with books on biology. "All I knew about shrimp was that it was good to eat." Kohn called the Commerce Department, which referred him to Cornelius Mock, of the National Marine Fisheries Service, in Galveston, Tex. "I call him 'Mr. Shrimp' because that's all he ever talks about. He thought it was a great investment," says Kohn. Mock had developed a hatchery technique known as the Galveston method, which Kohn later employed in raising his own shrimp.

Baltek bought a tiny island off the Ecuadorian coast about an hour's boat ride from Guayaquil. "The area is a very good place for shrimp, because the water is rich in nutrients," Kohn says. "But we had to build everything on the island, from the hatchery, to ponds to grow the shrimp, to houses for the workers."

The island was mostly salt flats and marshes with brackish water, and covered with mangrove trees, which are important to the survival of young shrimp. "You're not allowed to cut down mangrove trees in Ecuador because of their importance to the shrimp," Kohn says. "The females lay their eggs out at sea and the babies make their way to the canals and marshes where the mangroves are. There's something in the mangroves that the shrimp like."

## PEOPLE

Henri-Armand Kohn (right, with hat) once rejected the idea of shrimp farming. Now his company owns an island in Ecuador, where it is raising 600,000 pounds of shrimp within three

years of beginning operation. Kohn makes frequent inspection trips from company headquarters in Northvale, N.J.



PHOTO: BALTEK



Kohn notes that the traditional method of harvesting shrimp is for trawlers to go out and net the creatures. "That's a tough job," he says, "and you never know how many you'll catch. We have 700 acres of pond water on our island, which is cut into about 30 ponds for farming. We have filtering, saline, algae and pH systems for the ponds, and they're controlled by our biologists. It takes about 130 days to grow the shrimp."

The initial investment for the shrimp farm was about \$4 million, and Baltek's first harvest in April, 1984, produced some 200,000 pounds of shrimp. This year, the corporation hopes to harvest

600,000 pounds. Baltek looks to raise at least 1 million pounds by 1987.

"We just completed a hatchery so we can produce our own larvae," Kohn says. The \$300,000 facility opened in February. "This way we can breed our own shrimp and look to producing the best possible. It's done with chickens and cattle, so why not shrimp?"

The *penaeus vannamei* and the *penaeus stylirostris* species seem to grow best in captivity, and that is what Baltek raises on its shrimp farm. In the hatchery, larvae are fed food pellets, and algae is grown in the water for the shrimp to feed on. The water temperature is maintained at 70-80 degrees for optimal growth. After about four months, the shrimp are harvested, then sent to a packing house where the heads are cut off, and the bodies are frozen in five pound blocks.

Although shrimp are sold in various sizes, Baltek's farm produces shrimp that average 26-30 per pound, about the size of an adult finger. "The packing houses sell them to restaurants, food processors and supermarkets," says Kohn. "The raw shrimp you see in your local store could come from us."

One might think Kohn, who visits the farm every six weeks, gorges himself on his delicious product, but no. "I have to buy it like everyone else," he says. "You just can't bring in a bucket of shrimp from South America to the United States. And it would get too expensive to give them away as gifts. The only ones I eat are the samples we produce on the island."

—Jill Barnes



## Charged Up Over Broken Machines

Gary Drummond had to start from nothing to build his Tulsa credit card machine repair service. He is up to

three plants, 100 employees and \$3 million in sales.

Twelve years ago in California, Gary Drummond thought he had hit bottom professionally when he lost his job as a salesman for a reorganized national corporation. He did not stay idle long. He took the first steps toward building a business that grew to three plants, 100 employees and \$3 million in sales last year.

Thoughts about starting his own business, Special Service Systems, had been developing in the years he watched his employer's customers bring credit card imprinters in for repair. Thousands of these machines are used to emboss customer credit card numbers on sales slips every day by stores and gas stations.

Drummond saw an opportunity to offer full service and repair on imprinters by replacing broken machines with reconditioned ones from an assembly line. That way, there would be no need to figure out what was wrong with each machine as it was brought in. Before launching his business, he moved his family to Tulsa. "I picked Oklahoma because it is in the geographical center of the United States," he says, "and I planned to offer my service nationwide."

He rented a 520-square-foot shop for \$95 a month—a small start for someone who was planning big.

"My mom was willing to help me by staying there during the day, and she did it for no pay. I put on a tie and my three-piece suit and hit the streets, calling on banks and oil companies," he says.

While Drummond tried to get his company off the ground, he kept food on the family table by embossing credit cards for other firms that had large orders they could not meet by deadline.

In his sales pitch to the banks and oil companies, Drummond offered to replace a company's faulty credit card imprinters with reconditioned ones for the same price as usual repairs. He would also pick up and deliver rehabilitated machines anytime, anywhere. "Rather than pinpointing the problem for each machine," Drummond explains, "I put it into my inventory of imprinters for repair. All machines are stripped down, painted, cleaned, repaired and reassembled, assembly-line style."

The service was important to banks because credit card imprinters and services such as those from Visa or MasterCard are usually offered to credit card users through banks. The store owner who accepts credit cards usually deals with banks, rather than directly

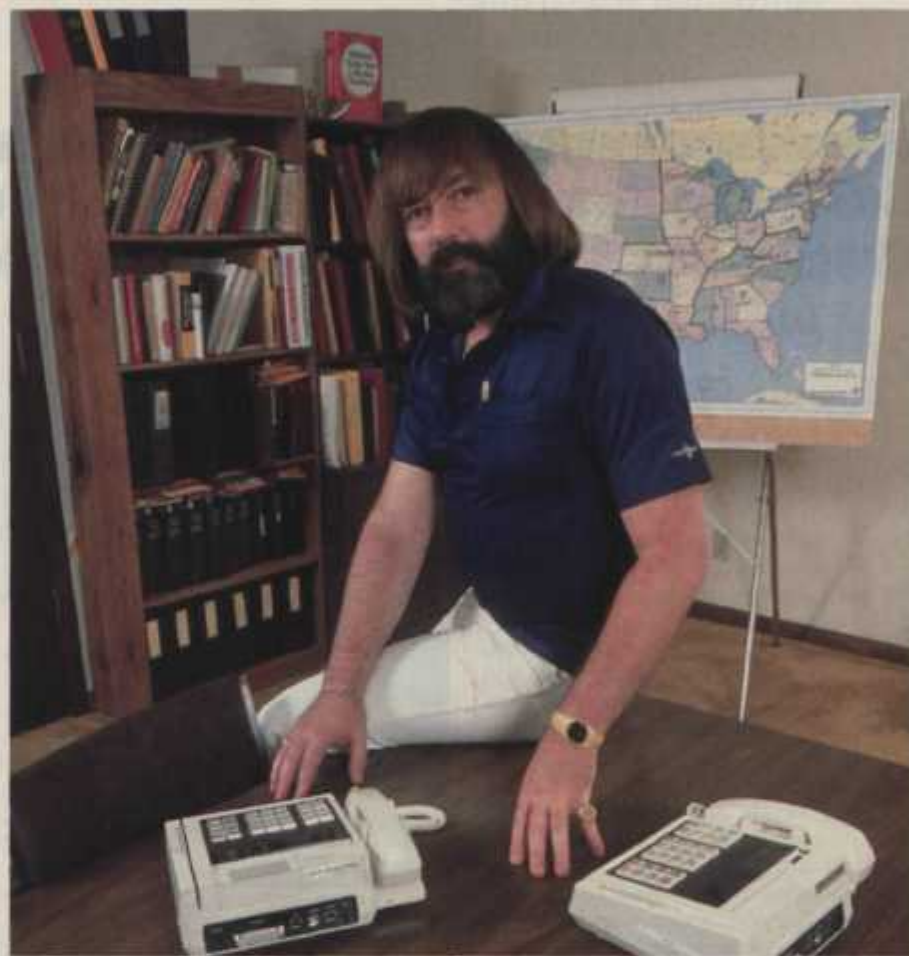


PHOTO: DAVID FITZGERALD

with credit card companies. Gas stations that accept oil company credit cards can also get imprinters from banks or directly from company headquarters.

"Retailers would no longer be dependent on their own resources to get imprinters cleaned and repaired, nor would the bank or oil company headquarters have to bother with such a nagging problem," Drummond says.

Drummond targeted the oil companies first—and his first client is still with Special Service Systems. (Drummond keeps all client names confidential because of the sensitive information about them he has access to.)

Once he got that first contract, he found he had to have more room. That has been the pattern with Special Service Systems. The company is now housed in a 24,000-square-foot building in Tulsa and in slightly smaller plants in Orange County, Calif., and Atlanta.

Technology has not passed Drummond by. In addition to repairing imprinters, Special Service Systems now repairs and services electronic point-of-sale terminals for credit cards. It was

Drummond's large warehousing facility that enabled the company to grow. "We were first to offer to warehouse, distribute and install credit card imprinters and computerized point-of-sale terminals nationwide," he says. "That's really what got the company going."

He says the biggest problem he encountered was lack of money. "I just didn't want to owe someone a lot of money. There were plenty of times when I was tempted to go to a bank and borrow, but I felt lucky that I was able to stay out of debt," Drummond says.

Drummond, now 41, has not forgotten his early years as a salesman. He has found time to co-author a book called *Sales Professional Survival Guide: Things Your Sales Manager Never Told You*, which will be released by Prentice-Hall in October.

His advice to entrepreneurs?

"Make a commitment to do something, then persevere. Don't allow doubt to creep in. It isn't terribly difficult to be successful these days. All you have to do is find out what people want and give it to them."

—Peggy Moss Fielding



# For Your Tax File

*A changed law on health plans need not harm employers; how to handle pension fund withdrawals.*

By Gerald W. Padwe, C.P.A.

## Health Plan Rule Changes

Companies with more than 19 employees will need to look at the way their employee health plans are structured, if they want to be sure of retaining a deduction for their contributions.

Employer contributions have been deductible as an ordinary and necessary business expense up to July 1.

But Congress has changed the rules for plan years beginning on or after that date.

Unless the requirements are met, highly compensated employees will have to count as income employer contributions to the plan.

The new law requires any plan to allow beneficiaries to choose continuing coverage in certain cases that would have ordinarily disqualified them from the company health plan.

Those who can choose continuing coverage include: widows or widowers of an employee; a dependent child who becomes independent; a spouse who is divorced or legally separated from an employee; or an employee whose hours are reduced, who is terminated or becomes entitled to Medicare benefits.

An employee discharged for gross misconduct may not continue coverage, however.

The length of time coverage must be continued is not definite. The maximum required is 36 months, but only 18 months in the case of an employee who is terminated or reduced in hours. Continuing coverage for a divorced spouse (if it is before the 18- or 36-month minimum requirement) will end when the spouse remarries and is covered under another group health plan.

Although employers will be required to liberalize some plans to preserve favorable tax status, not all changes need be at the employer's expense. The beneficiary may be required to pay a premium for the period of continuation as long as the premium charge does not exceed 102 percent of what would be due for a comparable policy, and as long as the beneficiary is permitted to pay any premium in monthly installments.

## Avoid Being Rolled Over By Pension Fund Rollovers



ILLUSTRATION: CAMERON GERLACH

Shifting interest rates, changing individual circumstances, plan terminations and early retirement dates are causing companies and individuals to move pension funds around, often from one retirement vehicle to another. How these moves are handled could make a big difference in the tax you pay.

Take the case of a retiree or someone moving into a new job who is being paid his or her balance from a qualified pension or profit sharing account. Most people know they can roll over the distribution to an Individual Retirement Account within 60 days and avoid tax.

But if you roll over the amount into an IRA, the law no longer allows you to use a special favorable tax rule (10-year averaging) when you finally take out the money in a lump sum. It also precludes having the part of the money attributable to pre-1974 participation taxed as a long-term capital gain. This special treatment is only available for distributions from pension and profit sharing plans.

Even if funds are moved among plans without a complete withdrawal, there are potential disadvantages. For

instance, the special 10-year averaging treatment is available only to an employee with five years' participation in the distributing plan. If you withdrew funds from one plan and moved them to another, the distribution would not be taxed, but you would have to continue in that new plan for five years before you could take advantage of the special rule. And you would have had no pre-1974 participation in the new plan, so any chance for capital gain treatment would be lost.

What to do? If possible, have your benefits transferred directly from the first plan to the trustees of the other pension or profit sharing plan, without coming through you. The Internal Revenue Service has issued rulings that such transfers will not be treated as employee withdrawals.

If you have no second plan because you are retiring, you may still be able to set one up. Keogh plans can often be started for those who continue to receive fees as directors or consultants for their companies, and the balance from the company plan can be transferred directly to the Keogh.

The plans involved must allow for direct transfers, and this is becoming less of a problem as plan administrators become aware of the advantages of direct, plan-to-plan transfers. The direct transfer does not involve any distribution, so there is no tax.

Also, the IRS has taken the position that prior service with the transferring plan can be counted for both the capital gain and 10-year averaging rules when a lump sum is later paid out from the recipient plan.

Note that both the House of Representatives and Senate Finance Committee are proposing changes in these areas. Check the status of the law before making any decisions.

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. For Your Tax File is an information service for readers. See tax and legal advisers on specific cases.



# Direct Line

*Information on reporting fraud, paying overseas staff, pooling insurance coverage, starting a mail-order business and getting an SBA loan.*

## Blowing The Whistle

How would I report such abuse by government employees as accepting bribes, committing fraud and overcharging?  
*B.J., Milwaukee, Wis.*

The U.S. General Accounting Office maintains a fraud hot line for such complaints: (800) 424-5454, or, for Washington-area callers, (202) 633-6987. If your complaint is complicated, the GAO asks that you send it in writing: U.S. General Accounting Office, Room 6124, 441 G Street, N.W., Washington, D.C. 20548.

## International Support

I have employees in Tokyo. Should I pay them in dollars or yen? Also, I plan to import goods from Taiwan to California. What are the best sources for information on tariffs and other restrictions?  
*E.S., Rancho Cordova, Calif.*

You can pay your employees in any currency you wish, says Naoki Kajiyama, a Japanese adviser at the World Bank. He recommends, however, that you consider paying your American employees in dollars and your Japanese employees in yen; you will have an easier time filling out tax forms for both nationalities. Kajiyama also urges that you consult with tax specialists in Tokyo to be sure you are complying with Japanese laws.

You can get information on tariffs from the Tariff Office, International Trade Commission, 701 E Street, N.W., Washington, D.C. 20435; or call (202) 423-0370.

## Self-Coverage

What is the feasibility of having a liability insurance pool for small businesses in high risk areas, with a major insurance company carrying a policy on the difference between the pool amounts and the minimum required by law?  
*J.A., Seattle, Wash.*

The Risk Retention Act of 1981 states that you must meet the insurance requirements of each state you intend to do business in. One important exception to this rule, however, is product liability insurance for manufacturers. If you are a manufacturer and intend to join with manufacturers of similar products



ILLUSTRATION: WILLIAM COULTER

to form a "risk retention group" and insure yourselves, you need only comply with the insurance laws of one state in order to practice throughout the country. (Vermont is the most popular state to register in because its capitalization requirement of \$250,000 is the lowest.)

Most insurance companies would demand that your group cover itself for most of the liability. Because a single lawsuit can cost you millions in damages, your group would have to capitalize itself quite heavily.

## Business By Mail

I would like to start a mail-order business. How do I begin?  
*M.S., Lyman, Wyo.*

The Direct Marketing Association offers a free brochure entitled, *Ten Most Frequently Asked Questions About Mail-Order Business*. To order and to get more information, write the DMA, Membership Services Department, 6 East 43rd Street, New York, N.Y. 10017.

## Statistics Source

I understand the Census Bureau puts out information on the number of persons in a family, the type of home, average medical costs, number of cars in a family and other statistics that might help a business target specific populations. How do I get in touch with their office?  
*D.C., New Iberia, La.*

Write the Public Information Office,

Census Bureau, Washington, D.C. 20233, or call (301) 763-4040.

## Loan Opportunities

How do you get a Small Business Administration loan?  
*M.C., Minneapolis, Minn.*

The Small Business Administration primarily guarantees loans made by other financial institutions to start or maintain small firms. To qualify, you must apply to a conventional lender. You must also be prepared to invest in your business roughly \$1 of your own money for every \$4 you borrow.

If you meet most of the financial institution's criteria, but it still has reservations about your ability to repay the loan, the SBA may step in and guarantee it. If so, the SBA will not allow the lender to charge more than 2 1/4 or 2 1/2 percent above prime, depending on the loan's terms.

The SBA only offers direct loans to veterans who served in the military at least 180 days between Aug. 5, 1964, and May 7, 1975, and to veterans who have a Veterans Administration-rated disability of at least 30 percent or are entitled to VA disability compensation. In such cases, the SBA will consider a loan application that has been turned down by two financial institutions. The interest rate on direct loans is now 10 percent.

## Phone Marketing

Where can I turn for information on the business of telemarketing?  
*A.W., Carrollton, Tex.*

Write to the American Telemarketing Association, 1800 Pickwick Avenue, Glenview, Ill. 60025, or call (312) 724-7700.

## How To Ask

Have a business-related question?

Write to: Direct Line, NATION'S BUSINESS, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.



# Portable Power

By Karen Berney

**S**teven Blount spends a third of his time traveling for his New Britain, Pa., small business, but he doesn't worry that things might be going wrong in his absence.

His office, he explains, is "wherever I happen to be at the moment." Like many other owners and managers of smaller businesses who spend varying degrees of time away from their home base, Blount relies heavily on a portable computer for communications, recordkeeping, sales presentations and many other functions.

His business, Communications Design, does \$100,000 a year in services that include the writing and design of books, promotional and marketing materials and other types of editorial material for clients.

"We sell customers on the basis that we work quickly and efficiently," he says, "and we prove it to them in their offices, thanks to portable computers."

In fact, he says, his end of the business can be run off a few, 3½-inch microfloppy disks that "easily fit into my shirt pocket." (The 3½-inch micro disk is the latest format for storing computer data and is expected to replace the 5¼-inch floppy disk eventually.)

He carries a 9-pound Data General/One portable computer and a 5-pound Hewlett-Packard ink jet printer. On a sales call, he might write and print a detailed contract and close a sale. Or, he says, "I often get an idea for a book while talking with a client and pound out an outline on the spot." He also swaps electronic files and messages with his partner by using the computer's built-in modem to send and receive data over telephone lines. When Blount finishes a manuscript, he zaps it over the telephone to his laser printer, where it is printed into camera-ready copy.

Blount's use of the laptop computer demonstrates how this portable equipment has begun to gain popularity among business people who spend a lot of time on the run. While they once kept records and communicated by pen, paper and telephone, they now use on the road the same technology available to them in their offices and plants.

The growing role of the laptops was spotlighted in April by IBM's introduction of its first portable, the PC Convertible. There has also been a volley of

*Renee McDonald, a regional sales manager for Allegheny Beverage Corporation, Cheverly, Md., says laptops force sales reps "to be more organized."*



PHOTO: T. MICHAEL KAZA

new product announcements from companies like Data General Corporation, Hewlett-Packard and Toshiba America. AT&T and Wang Laboratories are also planning to introduce laptops.

**S**ince the IBM introduction, says Suzanne M. Crocker, a spokeswoman for Businessland, Inc., the computer retail chain based in San Jose, Calif., "our customers have shown a great deal of interest in the PC Convertible."

In fact, IBM's ability to drive markets to new heights is so well recognized that many computer research firms have raised their projections for sales of laptops.

InfoCorp, of Cupertino, Calif., believes shipments could jump from 400,000 units this year to 3.2 million a year by the end of the decade.

One increasingly enthusiastic customer is the federal government. The Internal Revenue Service is buying 13,000 portables from Zenith Data Systems Corporation, which beat out IBM for the contract.

Those portables will be linked to IRS

regional data banks and to computers in Washington, giving tax auditors instant access to previously filed returns.

The U.S. Postal Service is buying 1,800 laptops from Grid Systems Corporation, of Mountain View, Calif., and the U.S. Air Force plans to seek bids on 50,000 to 60,000 units.

**T**hough interest in laptops is growing in both business and government, not all business people are universally enthusiastic. George Colony, president of Forrester Research, Inc., of Cambridge, Mass., questions the quality of display screens. Because of cost factors, most manufacturers are using hard-to-read liquid crystal display screens. The more readable electroluminescent displays (ELDs) are more expensive, and can raise to the \$2,000-\$3,000 range the price of a laptop that would sell for under \$1,000 with the less-expensive display.

Colony says prices would have to drop to about \$1,200 for a unit with a good display before the market for portables will really take off.

But David Kay, chief executive officer of computer manufacturer Kaypro Corporation, of Solana Beach, Calif., says image, rather than cost, is the main problem. He says customers have come to believe that a computer needs three separate components—a CRT screen, keyboard and disk drive—to have sufficient power. "What people do not realize," he says, "is that all this power can be squeezed into one lightweight, transportable box."

Nevertheless, both analysts and vendors agree that the current focus on laptops will help crack open sales opportunities in both government and private industry where there is a pressing need to automate the activities of frequently mobile employees. Loosely defined, the market consists "of anyone who could be more productive if they carried computing power with them," says Kay.

For the salespeople of the desks and furnishings division of Allegheny Beverage Corporation, the key to enhanced productivity is the ability to link up transportables with other computers.

Before being equipped with a Hewlett-Packard 9-pound Portable Plus, a



## A combination of sales breakthroughs and new product announcements is giving a lift to the overlooked laptop computer.

sales rep would lose hours in tedious paper work that could have been spent prospecting for new business, reports Donn Lewis, vice president of information resources at the firm's Cheverly, Md., headquarters. Purchase orders were written up by hand and sent by mail—a process that resulted in delivery two weeks later at best.

A rep planning to visit a customer would often find himself engaged in telephone tag trying to check the account's status as well as collect information on current pricing, inventory and promotions, Lewis says.

**N**ow these reps get instant answers; their portables talk directly to Allegheny's central computer over a private data network. In the course of delivering a sales pitch, for example, a rep can ask the corporate computer to list all available colors for a piece of furniture currently in stock. Once the customer makes a selection, the rep can reserve the item, file and transmit the order, and promise delivery within days. "As far as we know, none of our competitors can guarantee delivery that fast," asserts Lewis.

Customers "are very impressed when the rep takes out the computer. That little machine is a complete point-of-sale showroom," remarks Renee McDonald, Allegheny's Eastern regional manager of direct sales. Moreover, "it forces reps to be more organized." When a rep has an upcoming appointment, the computer beeps and displays a message to remind him of the time and place, she says. Using a portable, McDonald sends her staff close to 1,000 electronic messages a week including leads from the company's computerized telemarketing system.

Lewis attributes the greatest gains from laptops to improved sales force access to timely information that makes for more persuasive presentations. But "the laptop is only one link in the chain," he stresses. A laptop without an infrastructure to support the exchange of data is "like a telephone without a network." And getting a network up and running requires a significant investment. It can easily take from six to 18 months and absorb \$500,000 to a few million dollars, Lewis says.

*Early this year, the Internal Revenue Service awarded Zenith a \$27 million contract for a slew of Z-171 portable computers. The widely publicized sale*

*is seen as a major endorsement of the product and has breathed new life into the market for all laptop manufacturers.*



PHOTO: ZENITH DATA SYSTEMS

But in a small business, a laptop acting as a standalone computer is probably all that is necessary. V.B. Boelckey presides over 33 employees at Finleasco, Inc., a New York lessor of capital equipment. Like Blount, Boelckey never leaves home without his portable computer and stack of disks containing all the vitals on his business. "Sure, I could get all this information from my big office computer over a telephone network," he says. "But that would be much more expensive and complicated."

**I**f you do decide to invest in laptops, be aware that there is a wide range of options. Some laptops are diskless—software programs, like the popular spreadsheet Lotus 1-2-3, come hardwired into memory.

Others use the new 3½-inch floppy disk format, some take standard 5¼-inch floppies, and a few offer internal 10-megabyte hard disk drives in addition to floppy drives.

"At this stage, users should be aware that they will have to make sacrifices to get true portability and all the features

of a desktop computer," advises Stephen Bosley, an analyst with International Data Corporation, a Framingham, Mass., market research firm. For example, laptops with ELD screens consume more power and thus have shorter battery lives.

**B**ut if the laptop is going to serve as an extension of the office computer, your biggest concern should be ensuring that the machine can handle the same software and disk size used at work. Transferring data from one type of floppy to another "is an extra cost and time burden most users don't need," Bosley says.

If you do not already own a desktop and are considering a laptop as your primary computer, a 3½-inch-drive machine makes good sense, adds Bosley. IBM's use of that size drive is expected to fuel an explosion of software on 3½-inch diskettes. Its mere presence in the market will also ignite competition resulting in better values for buyers. And advances in displays and memory capacity may yet bring the laptop up to desktop levels. **MB**



## PERSONAL

# It's Your Money

By Ray Brady

**P**robably no single story has caused this reporter's phone to ring more than the tax reform measure proposed by the Senate Finance Committee.

Tax reform had been considered dead. But, suddenly, here it is returned like Marley's ghost. And the telephone calls have come pouring in, with questions like:

- If the tax rate goes down, doesn't that lower the value of my municipal bonds?
- I own stock in a company with a lot of tax credits. If the company can't use them, won't the stock drop in price?
- I'm confused by it all—should I just sell my portfolio?

Right now, there is only one way to judge any kind of answer to those questions, and it is best summed up in an observation by that preeminent American philosopher, Yogi Berra. Berra was referring to the vagaries of baseball scores, but his thoughts are equally applicable to the game of tax reform: "It ain't over," quoth Yogi, "until it's over."

In other words, even if the measure gets full Senate approval, it still must run the gauntlet of the Senate-House conference—along with the efforts of Washington's army of lobbyists—and what comes out of all that could be a drastically revised bill. The provision to cut back on IRAs, for example, came under heavy fire almost from the moment the new measure was announced. And an investment that seems in jeopardy now could easily be saved down the road.

So for the individual investor, at this juncture, the best advice has to be: Sit tight. Quips Arthur Leary, vice president of the Manhattan brokerage firm of Furman Selz Mager Dietz & Birney: "The smart thing for an investor to do is nothing."

While that is good advice, it is still worth following the progress of tax reform closely, because, eventually, it is going to upset a lot of values. As the bill is written now, of course, it deals a heavy blow to real-estate syndicators and investors who depend on tax benefits to make their projects viable.

*If the tax reform bill passes in its present form, it could be a heavy blow to real estate syndicators and investors.*



PHOTO: STACY RICE—IMPHOTO

Though some developers say the measure would slow up construction of worthwhile projects such as apartment houses and hotels—and cause some realty values to drop—it could also stop overbuilding in many U.S. cities.

Again going by current conditions, there is still argument over just what the end of the special tax rate on capital gains will do. (Instead of a capital gains rate of no more than 20 percent, investors would pay the regular tax on their investment profits.) There seems to be fairly general agreement that the measure will slow down the venture capitalists, the people who put money into fledgling companies. Investors will want a bigger piece of the action in the new company, to compensate for the lower return. Recruiting for the companies may be more difficult, as well. Managers will be loath to leave established companies if they cannot look forward to a lower tax rate on their stock options.

Still, there could be some winners in tax reform. If you can't put your money into a tax shelter, for example, you just might put it into stocks or bonds.

*No one yet knows what the effects of tax reform will be—or even the final form of the bill. The best advice: Sit tight until the bill is passed.*

"The securities market," says James Conway, an official with Arthur Young & Company, the accounting firm, "will be the only game in town."

But if that is so, what kinds of stocks should you be looking at? William W. Helman, of Smith Barney, Harris Upham & Co., in New York, has come up with one list. Companies that pay comparatively high taxes now—as contrasted with those that can take a lot of write-offs—will wind up benefiting from the change. Among the industries Helman sees profiting: advertising, broadcasting and publishing. Auto makers should show a mild positive effect, according to the analyst, and some of their suppliers could benefit substantially. So would hotel and restaurant chains and most retailers.

Still other beneficiaries, cited by Helman: companies in drugs, hospital management, food and tobacco.

The shrewd investor might also keep an eye on companies that pay high dividends. After all, dividend income will not be taxed as much for high bracket investors as in the past. That could lead to more buying of such high-yield groups as utilities and banks.

There is, it must be admitted, one "but" in all this. The capital gains rate is changing, if this goes through. And between now and the end of the year, there could be selling of securities, as investors take their profits at 1986's capital gains rate, rather than wait for the flat rates in 1987.

**B**ut what about that poor fellow sitting there with the tax-exempt bonds that seemed such a great buy only a few months ago? After all, if the tax rate goes down, individuals would want to pay less for a tax-free bond. In fact, under today's tax code, many experts feel you can benefit from owning municipal bonds if you have an income as low as \$30,000. With the new law, you would have to earn \$45,000 a year to get any benefits from tax-exempts.

So what should you do? Probably follow Arthur Leary's advice.

Again, though, it will pay to keep an eye on any changes in the tax measure—because, to paraphrase Yogi Berra, tax reform ain't over until the bill becomes law. **RB**



# Innovators

By Sharon Nelton

## Stop The Abuse



ILLUSTRATION: GREG FITZHUGH—EUCALYPTUS TREE STUDIO

You may think of yourself as a "participative" manager. But are you really?

Allan R. Cohen, professor of management at Babson College, says many managers are abusing the concept of participation.

"Meetings with subordinates are set up to allow 'participation,' but by some coincidence, the discussion is kept going by the manager until subordinates just happen to arrive at his or her preferred answer," says Cohen. "Everyone hates being a subordinate in such discussions; you have to utilize all your energies to read the boss in order to figure out the 'correct' answer."

Another form of abuse is allowing full participation but only on trivial issues, such as how to word a memo on benefits or selecting the site for the annual outing. On the core issues, the boss reserves the decision to himself or steers it. "Thus participation comes to mean 'subordinates give opinions but boss decides,'" says Cohen.

At the opposite extreme, he continues, "some managers feel so handicapped by the obligation to allow subordinate participation that they let

meetings turn into debating societies, with no clear boundaries, deadlines or obligations." In such situations, subordinates realize no action will result; they feel they need not do their homework nor contribute responsibly.

In still other cases, the boss overwhelms participants with far-ranging problems they do not understand or care about.

Many managers believe that participation is a failure when, in fact, the manager is at fault. "The heart of the problem is that participation is difficult and has to be managed," says Cohen. "In practice, it is too seldom done well."

Participation works best with an educated, ambitious work force doing complex work under changing conditions, according to Cohen. Contributions are needed most from employees in closest contact with customers, equipment and technology, because they have valuable information, ideas and insights.

To be successful, says Cohen, participation requires "the right people working on issues appropriate to their expertise, genuinely allowed to make decisions when they know best."

*When participation is not what it seems; paying attention to family in a family firm; taking the next step in quality control.*

## The Emotional Challenge

Milton H. Stern is a lawyer, so the message he wants to get across in a book he has written on family businesses may come as a surprise: Pay attention to human relations.

*Inside the Family-Held Business: A Practical Guide for Entrepreneurs and Their Advisors* (Law & Business, Inc./Harcourt Brace Jovanovich, Inc., \$55) is the result of Stern's 36 years of advising closely held companies. He is a senior partner at Hanoach Weisman in Roseland, N.J., and his book certainly covers the legal essentials—from estate planning and income tax strategies to going public.

But Stern expresses deep concern about the emotional well-being of the family because it plays such an important role in the success of the business. The heads of family businesses, he observes, too often give scant attention to the psychological factors that affect family members who work in the company.

"Resentment between parent and child, and among siblings, replaces warmth and affection," he says. "The climate among principals, ostensibly striving to build a business through cohesive effort, may get so bad that continued compatibility is no longer feasible." In such cases, he says, the health of the business may be seriously impaired.

"One or more participants may be forced to leave the company," he notes. In other instances, a sale of the entire business may be the only solution.

"These events are sad," he says. "I have been upset both by their frequency and their destructive effects."

He urges entrepreneurs to meet the challenge of their human relations problems with the same resourcefulness they use to address all other kinds of tough problems.

He says smart business owners, for example, reduce friction by helping sons and daughters each find important niches in the business and by openly discussing with them harm that sibling rivalry can do to the enterprise.



## Let The "Big Q" Be Your Umbrella

A television set that works, an airline that gets you to your destination on time, an operator who answers the phone before the third ring, a hamburger that tastes just the way you want it to. All of these mean quality. But, according to Mark R. Arnold, that's "Little Q" quality.

"Big Q" quality stands for much more, asserts Arnold, director of consulting services for Organizational Dynamics, Inc., a management consulting and training company headquartered in Burlington, Mass.

If you are a "Little Q" organization, explains Arnold, you probably think of quality strictly in terms of product or service quality. More likely than not, you relegate responsibility for quality to a quality control department "whose members enter the production process at a certain point to look for defects."

He warns that when quality control becomes the province of one specialized group, it is easier for the rest of the organization not to feel accountable for quality.

Arnold says he and his colleagues at ODI have spent "hundreds of hours listening to QC managers complain that they know how to correct—and prevent—quality defects, but are usually ignored when they seek to change work processes, if short-term cost or schedule goals would be affected." Instead, they are pressured to "let it go" or told, "We'll correct it in the field if there's a problem."

Then, of course, it is too late. When a performance problem is discovered in the field, it is much more expensive to correct, and the company's reputation has been tarnished.

"Big Q" companies are different in two major ways, according to Arnold. First, they believe that everyone, not just the QC department, is responsible for quality. Second, they regard quality of the end product or service as only one element of a total quality organization.

If yours is a "Little Q" company that makes or sells toasters, Arnold says, "you may narrowly judge the quality of your toaster by whether or not it toasts the toast just right." Arnold says a "Big Q" company knows its customers are going to judge it on other criteria as well, such as:

- **Cost.** Is the toaster reasonably priced?
- **Reliability.** Does it brown the toast the same way every time?
- **Durability.** Is it able to withstand wear and tear?



• **Longevity.** Does it last as long as the customer thinks it should?

• **Service.** Can it be repaired conveniently?

"Big Q" thinking, says Arnold, holds that every transaction engaged in by a company's people in the chain from the initial supplier to the ultimate customer has a quality dimension to it. "For 'Big Q' to be realized, each of those interfaces needs to be performed as well as possible, because all have an impact on your competitive position."

If your company is "Little Q," how can it grow up to be "Big Q"? You have to have a "cultural breakthrough," says Arnold. Your people have to break out of established ways and learn new behaviors. That takes dedication to four basic principles:

**1. Total Involvement.** Every level of the organization, from senior management on down, must be involved in quality improvement activities, such as one-day quality-awareness programs, development of quality problem-solving skills, and the formation of quality improvement teams.

**2. Customer Orientation.** "Quality is not necessarily the same for every customer, but each customer expects his specifications to be met," Arnold says. A Chevrolet buyer can be just as satisfied with his car as a Cadillac owner is with his, because each has different specifications. It is important for everyone in your company to understand the specifications of his customers and be conscious of how well he is meeting their needs.

**3. Systematic Support.** Structures,

policies and procedures must be implemented to encourage quality. "It must be part of your strategic plan, your budget process, and—most important of all—your performance appraisal system," says Arnold. "If you are not willing to reward those who make your processes work better (as distinct from those who rush in at the last minute to put out the fires), you'll never achieve quality."

**4. Continuous Improvement.** "Keep looking for a better way, even if your customers are satisfied with your present way of serving them," says Arnold. "In a fast-changing world, it is only a matter of time until their needs change."

If you feel that there are too many obstacles against putting these principles into action in your company, Arnold wants you to know there are two "essential truths" that will help you.

One is that people want to be proud of the work they do. They will make quality happen if you support them. Second, people support what they help create. If you give your people an active role in designing the systems to improve quality, says Arnold, they will jump at the opportunity.

"Quality improvement," he says, "can be the ultimate integrator of your organization, the umbrella under which management can achieve some of its most critical objectives—improved product quality, lower costs, stronger customer loyalty, increased employee morale, lower unwanted turnover, higher share of market and even higher profits."



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# Where I Stand

*Results of this monthly poll on important public policy issues are forwarded to top government officials in the White House and Congress.*

## 1. Approve Tax Reform Plan?

The Senate Finance Committee's tax reform plan, now pending before the full Senate, would cut personal and corporate tax rates while abolishing many tax preferences. Supporters say that, although the timing and substance of some provisions need improvement, the overall approach is positive in terms of simplification, equity and economic growth. Critics variously argue that the measure eliminates too many tax preferences and that the proposed rates will not generate sufficient government revenues. Should Congress reform the tax code along the lines of the Senate Finance Committee plan?

## 2. Time Off For Parents?

Congress is considering legislation that would require employers of five or more to give parents up to 18 weeks' unpaid leave every two years upon the birth, adoption or serious illness of a child. Sponsors hope this would eventually lead to a requirement that the time off be paid. They say such mandated benefits are needed because of the large number of working women. Opponents question whether government should intrude into employer-employee relations on this issue and say small firms with young workers could ill afford the cost. Should government require parental leave benefits?

## 3. Reform Depression-Era Wage Law?

Congress is considering legislation to reform the Davis-Bacon Act, a Depression-era law that sets a floor beneath wages paid by contractors working on federal projects. The measure would raise from \$2,000 to \$1 million the level below which projects would be exempt from the act. Sponsors say that would save taxpayers money. Opponents charge it would hold down construction workers' wages. Should Congress enact proposed reforms to the Davis-Bacon Act?

## Verdicts On Tax Amnesty, Labor Violence, Security Guards' Unions

*Here is how readers responded to the questions in the May issue's Where I Stand poll.*

	Yes	No	Undecided
Should Congress grant amnesty to federal tax scofflaws?	46%	44%	10%
Should Congress permit federal prosecution of labor violence?	92%	5%	3%
Should security guards' unions be allowed to join with nonguard unions?	7%	86%	7%



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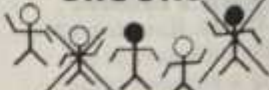
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## COMMENTARY

# Congressional Alert

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members of Congress should be sent either to U.S. Senate, Washington, D.C. 20510 or to U.S. House of Representatives, Washington, D.C. 20515.

## ISSUE

## Tax Reform/ Simplification

## BUSINESS IMPACT

The Senate Finance Committee tax reform bill, which would cut individual rates to 27 and 15 percent, would cut the top corporate rate to 33 percent but repeal the investment tax credit, change depreciation and tax capital gains as ordinary income.

## BUSINESS MESSAGE

Members of the Senate: Support amendments to eliminate retroactive repeal of the investment credit, retain a lower capital gains rate or index capital basis, and reduce the amount of depreciation included as a preference item under the minimum tax.

## Pensions/ Employee Benefits

The Senate Finance Committee's tax reform bill would impose costly changes in employer-provided pension plans, such as requiring that employees be fully vested after five years, rather than 10. Although the committee refused to change the tax-exempt status of employer-paid health insurance premiums, an amendment to do so may be offered on the Senate floor.

Members of the Senate: Oppose costly changes to employer-provided pension plans. Maintain the tax-exempt status of employer-paid health insurance premiums. Support the voluntary private-sector employee benefits system, which provides valuable benefits more efficiently and less expensively than the government could.

## Appropriations

Over the past six years, Congress has surpassed its budget resolutions by an average of \$24 billion. Excessive spending could hurt long-term economic expansion.

Members of the House and Senate: Oppose appropriations bills that continue irresponsible deficit spending. Businesses cannot operate by continuously spending more than they receive, and the federal government should not.

## Product Liability

The product liability crisis seriously affects businesses, which must pay enormous awards to a growing number of plaintiffs. Recently, a presidential tort policy working group identified the movement toward no-fault liability and the huge growth in noneconomic damage awards as two major reasons for the explosion in lawsuits.

Members of the House and Senate: Support the President's product liability reform proposal, which would provide uniform product liability standards. It would require a showing of fault before businesses could be held liable and would limit noneconomic damage awards to \$100,000. Businesses must be able to operate without fear of bankruptcy resulting from excessive or unjustified awards.

## Parental & Disability Leave

Congress is considering legislation mandating new employer-provided benefits: 18 weeks' unpaid leave for employees due to birth, adoption or illness of children and 26 weeks for temporarily disabled employees. The measure calls for a study to determine whether such leave should have to be paid. Employers would be required to continue health benefits and guarantee the same or equivalent positions for employees who take parental or disability leave.

Members of the House and Senate: Oppose mandated parental and disability leave benefits. Support the voluntary private-sector employee benefits system, which provides flexibility in balancing the demands of home and work place. Recognize that businesses' ability to provide various forms of leave differs according to their circumstances.

## Immigration

Immigration legislation before the House would impose on employers mandatory recordkeeping and civil and criminal penalties for hiring illegal aliens or failing to maintain records properly. Also, it would make employers liable for the actions of their subcontractors.

Members of the House: Support reform legislation that does not place undue burdens on employers. Recordkeeping should be optional, criminal sanctions should be eliminated, and liability should be reasonable.



# The Right Buy, Precisely

By Del Marth

*Roger Howe bought a precision lens company against the advice of friends. But it turned out to be the best possible choice.*

*Before he bought his company, Roger Howe "knew what I was looking for... a business that offered a specialty, one with a national market*

*and one that I didn't have to start up." He found it in U.S. Precision Lens, which he has built into a worldwide supplier of plastic optics.*



PHOTO: MANDY HIRSHWANDER

On a fall evening in 1970, Roger L. Howe came home to dinner with more on his mind than what Mrs. Howe had in the oven. A few days earlier, he had bought a small business. A plastic lens shop in Cincinnati, it was drifting in and out of red ink. But Howe believed it had possibilities.

That day, however, one of the 12 employees quit—and gave a reason that disheartened Howe.

"You know," the employee said, "you seemed too smart to buy a turkey like this. I don't understand you." And, announcing that he could not work for someone who appeared to make dumb decisions, the man walked out.

Howe, 35 and the father of four then-young children, needed support, not rejection. Against the advice of some business friends, he had bought the company believing its future was better looking than its plant or its books.

On the door leading into the dirty brownstone building was an impressive name—U.S. Precision Lens & Plastic, Inc. But that was pure puff. The firm had a negative net worth, only \$200,000

in annual sales and a reputation for not shipping anything on time.

"My banker told me it was something I wouldn't want," Howe recalls. But he bought it anyway, for \$60,000.

Howe's judgment turned out to be good. He has built the company, briefed down in name to U.S. Precision Lens, Inc., into a worldwide supplier of plastic optics.

The company has changed, but Howe has not. The former Ohio farm boy simply does not exude a corporate posture, even though he is board chairman, chief executive officer and majority owner of a multi-million-dollar firm. Ask for a career anecdote, and he tells of the time he "almost garbled things up."

Howe is not reticent, however, about reeling off names of clients. They include scores of major corporations, from Apple to Zenith, with the lion's share of his company's production going to Japanese and European customers. For them every month, U.S. Precision Lens designs and manufactures millions of plastic lenses, some not much bigger than a grain of sand, others as large as a beach ball.

Before buying the company, "I didn't know anything about plastic lenses," Howe says. "But I knew what I was looking for. I wanted a business that offered a specialty, one with a national market and one that I didn't have to start up."

The little Cincinnati lens company was all that, albeit on the most limited scale. Founded in 1930 by a Swiss immigrant as the U.S. Watch Crystal Company, it began experimenting in 1950 with making lenses out of plastic rather than glass.

For his investment, Howe says, he "got a few glass grinding machines, a lathe, a milling machine and several small plastic molding machines, one of which was broken." While Howe was learning the business, the employees continued to make plastic lenses for a handful of clients.

"I figured I could lose some \$40,000 the first couple months," Howe says. He was right. "I had to add a second shift of workers because our rejections were so high," he says. "Our backlog was our remakes."

That first year Howe ran in the red.



## The Right Buy, Precisely

But not since. From the beginning—rough though that was—he refused to doubt the company had a future.

"I noticed before I bought the firm that it was selling small orders to IBM, Honeywell, Xerox and other giants," he says. To him, that was a sign that the company's plastic lenses had a market of great potential.

**T**he assumption proved correct when Howe convinced Polaroid Corporation in 1972 that his firm could supply lightweight, optically accurate plastic lenses for the lighting system in Polaroid's popular SX 70 camera.

Howe followed that coup by contacting makers of handheld calculators that had light-emitting diode readouts, then growing in popularity. He offered to make inexpensive plastic lenses for the ubiquitous gadgets.

"We soon were providing plastic lenses for nearly every company in the world making handheld calculators with LED displays," Howe says.

In less than three years, Howe had sales well over the million-dollar mark, had quadrupled the number of employees and had built the first of three new production buildings on the Cincinnati outskirts.

"We did very little advertising," he says. Instead, Howe spent his life on the road selling. "And back at the shop, a lot of technical articles were written for trade publications telling about our innovative technology in plastic optics," he says. "They brought us a lot of leads—and business."

Today Howe still hits the road drumming up contracts. He also spends time in Washington as a board member of the U.S. Chamber of Commerce. But he is in the office often enough to turn away offers to buy the firm. He wants to stay around to see the company hit annual sales of \$75 million by the early 1990s, more than double what it does today.

Outsiders are permitted into U.S. Precision Lens plants only with clearance badges. Explains Howe: "Many lenses and lens system designs we make for customers are exclusive. We have become the world's largest manufacturer of plastic optics for nonophthalmic applications by being the leader in this technology. So there is much we don't show or talk about."

A major part of the technology is designing and producing nonspherical—commonly called aspherical—lenses. Aspherical lenses are highly de-

## LESSONS OF LEADERSHIP

Howe (shown here with assembly line worker Jackie Monk, who is holding a web of plastic lenses) is not an expert on optics himself. He has instead

devoted his time to selling the products his "close-knit team" of specialists has come up with.



sired because they allow superior performing optical systems to be designed with fewer elements.

Millions of such lenses are used in automatic focus cameras, laser check-out counters at supermarkets, security systems and the like. But the firm's major effort is in research, development and manufacture of fiber optic couplers and large aspheric lenses for projection video systems.

Howe does not pretend to be the company expert on optics. His employees number 650 and, he says, "I consider myself part of a closely knit team."

As chairman and CEO, however, Howe makes sure the environment at U.S. Precision Lens offers workers both freedom and opportunity. Those are job characteristics important to him.

Before buying the lens company, Howe was a salesman for a firm that showered him with opportunity but not the maximum freedom he desired:

"I worked for a Boston paper company, S.D. Warren, when I got out of college [Miami University in Ohio] in 1957, and I became the No. 2 man in a two-man Cincinnati branch, working for a great guy who taught me well about sales and high standards."

That No. 1 man eventually became company president, and in 1968 he moved Howe to Boston, first as a prod-

uct manager and then as advertising manager.

"I thanked him," Howe says, "and told him 'I will work hard and do a good job, but I really don't believe I will stay; I want to do my own thing.'" Looking back, Howe recalls, "It was a terrible thing to tell a guy just after he gave you a promotion." But Howe did quit after only 18 months in Boston.

Some of his friends berated him for making such a "stupid and irrational move," Howe says. "But I was determined to have my own business. I gave myself a year to find one. In the back of my mind, I knew that if I didn't find any business in that one year, well, I really had garbled up my life. I found the lens company in eight months."

**H**is company is in head-on competition with Japan in the lens field, and Howe says the company intends to maintain a leadership position over the Japanese in projection video lenses.

Japan's television makers are "substantial importers" of such lenses made by his company, he says, and he predicts that they will continue to be.

Employees of U.S. Precision Lens believe that is a smart assessment. At least none has walked into Howe's office lately to tell him the idea is a real "turkey." ■



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# Editorials

*A tax reform plan that has real promise; Lady Liberty's restoration—a triumph of small business enterprise.*

## The End Of The Long Road To Genuine Tax Reform May Finally Be In Sight

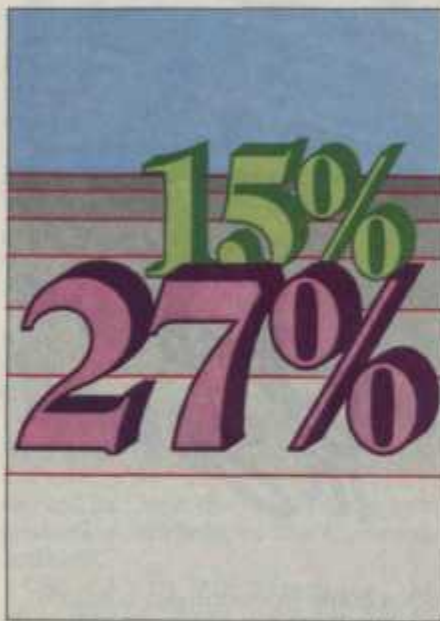


CHART: DELORES SUNZA

In his 1984 State of the Union address, President Reagan called for an overhaul of the U.S. tax system to achieve the goals of "fairness, simplicity and incentives for growth." He directed the Treasury Department to produce a plan under which "all taxpayers, big and small, are treated more fairly."

Several reform plans have been proposed since the President spoke, and the public debate over them has shown what a complex issue tax simplification can be.

A common failing of many proposals is the extent to which they would increase business taxes so that other taxpayers' rates could be reduced. Business leaders properly warned that any such tactic would threaten the investments needed for growth, and that growth incentives should be a key element in any reform proposal.

But a bill passed by the House of Representatives late last year pointed in just the opposite direction. Supporters of genuine tax reform then looked to the Senate.

There, the Finance Committee produced the most promising of all the tax

reform plans that evolved in response to the President's call. Among other welcome features, it would set maximum rates of 27 percent on personal income and 33 percent on corporate income. The basic rate for both would be 15 percent.

The committee plan, now being debated on the Senate floor, goes a long way toward rejecting the anti-business provisions that made previous tax reform proposals unacceptable.

Unlike the House bill, the Senate committee version would have a positive effect on long-term economic health and job creation. It would also

represent major progress toward simplification and fairness.

This is not to say the bill is perfect. Legislative proposals rarely are. The Senate and the conference committee that will resolve differences in the tax reform measures passed by the two houses should consider amendments that would make the Senate bill even more effective in promoting growth.

With those changes, the tax reform plan developed by the Senate Finance Committee could become an important force in propelling the American economy toward that elusive goal of uninterrupted health.

## A Great Combination: Small Business And The Statue Of Liberty

It was particularly appropriate that a large number of small businesses were called upon to contribute their skills to the rebuilding of the Statue of Liberty for its 100th anniversary (see cover story beginning on page 18). The statue, after all, is one of the nation's most cherished symbols of the freedom that allows individuals to set and pursue their own goals, limited only by the effort they are willing to invest and the risks they are willing to take.

That spirit of enterprise was evident among the smaller firms that worked so effectively on the statue. The construction management firm that had overall supervision of the project was formed just seven years ago by two men who left the security of high-level jobs at a larger company to start their own business. Some of the subcontracting firms were founded by immigrants, for whom the Statue of Liberty has special significance. One was launched in the depths of the Depression. Another was founded by a husband-and-wife team.

At various times during the restoration project, subcontractors faced un-

precedented problems whose solution required a high degree of creativity, innovation and development of new techniques. A painting contractor, for example, encountered under the interior paint of the statue a 100-year-old layer of coal tar that defied removal with regular sandblasting material. He experimented unsuccessfully with rice and sugar as blasting agents, finally licking the problem with garden-variety sodium bicarbonate—baking soda—as the blasting material.

A lighting contractor was determined to capture for the nighttime view of the statue the effect of morning sunshine on its face. A window contractor had to work around his discovery that "there was nothing square in the entire statue."

The achievements of these and other business people who worked on the restoration project are commemorated in a series of bas reliefs on the new bronze doors opening into the statue's base. Because those companies exemplify the spirit of small businesses generally, the tribute is one in which all American enterprises can take pride.





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